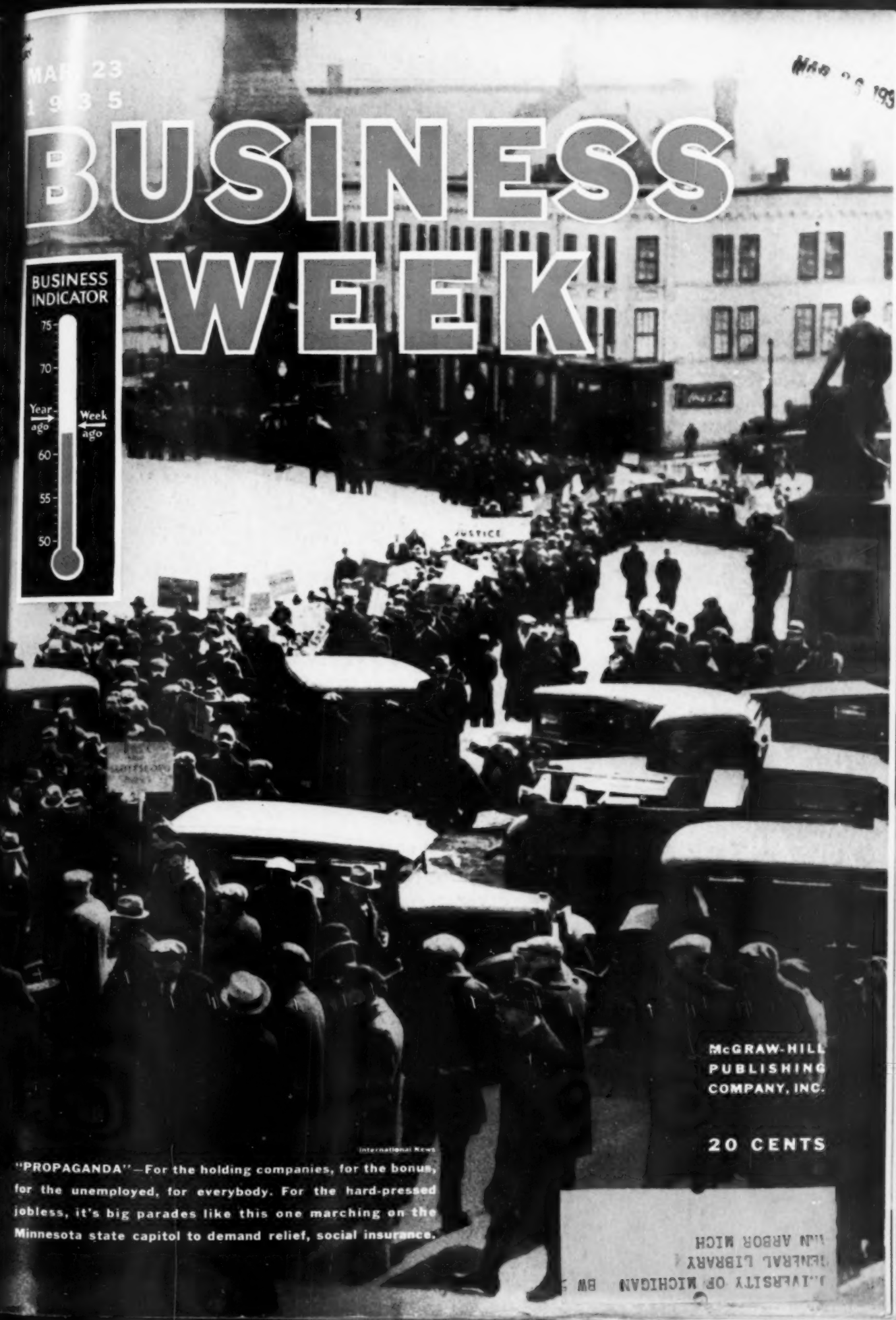


MAR 23  
1935

MAR 23 1935

# BUSINESS WEEK

BUSINESS  
INDICATOR



McGRAW-HILL  
PUBLISHING  
COMPANY, INC.

20 CENTS

**"PROPAGANDA"**—For the holding companies, for the bonus, for the unemployed, for everybody. For the hard-pressed jobless, it's big parades like this one marching on the Minnesota state capitol to demand relief, social insurance.

UNIVERSITY OF MICHIGAN  
GENERAL LIBRARY  
ANN ARBOR MICH

# "SIDEWALL FAILURES ARE A THING OF THE PAST WITH US"

**GEORGE PETERS**  
Driver for John Benkart and Sons Company, Pittsburgh, Pa.

## NEW TRUCK TIRE IS TRIPLE PROTECTED!

"Sidewall failures are a thing of the past with us since we have been using those new Triple Protected tires," says George Peters, one of the drivers who helps pile up three-quarters of a million miles annually for John Benkart and Sons Company of Pittsburgh.

"The boss told me we are now averaging almost 50,000 miles per tire on our tractor-trailer units. One reason we get that mileage is that we don't

have any more sidewall breaks."

That's just the reason why Goodrich built Triple Protection into every new Silvertown. Goodrich knew that the sidewall was the "Failure Zone" of all truck tires.

So Goodrich did what had never been done before—built a tire with a combination of three safety features guarding against blow-outs—road delays—and big repair bills.

In no other tire will you find this amazing invention:

**1 PLYFLEX**—a new, tough, sturdy rubber material with greater resistance to stretch. A layer of Plyflex in the sidewall prevents ply separation—distributes stresses—checks local weakness.

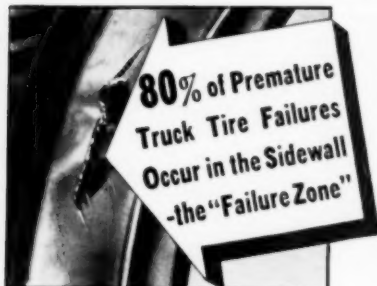
**2 PLY-LOCK**—the new Goodrich way of locking the plies about the bead. Anchoring them in place. Positive protection against the short plies tearing loose above the bead.

**3 100% FULL-FLOATING CORD**—Each cord is surrounded by rubber. With ordinary cross-woven fabric, when the cords touch each other, they rub—get hot—break. In Silvertowns, there are no cross cords. No friction.

It's just plain common sense to insist on this protection when you buy truck tires!

**THIS COSTLY INVENTION  
COSTS YOU NOTHING**

See your Goodrich truck tire dealer. Ask him to show you the tire that is making tire history. And remember—Triple Protection costs you *not a dime extra!*



# Goodrich *Triple Protected* Silvertowns

SPECIFY THESE NEW SILVERTOWN TIRES FOR TRUCKS AND BUSES

BUSINESS WEEK

# Washington Bulletin

WASHINGTON (By Business Week Staff Correspondents)—With the \$4.8-billion Work Relief Bill going into action, shorn of hamstringing, reducing, dole-substituting, boosting, and inflationary amendments, President Roosevelt's troubles have only begun. The price of running the senatorial gauntlet—in earmarking, and in private promises to senators—was fairly high, but essential features desired by the White House were retained. Now, how to make the thing work? How to give every "employable" person a job?

## Hurdles in the Way

Here are some of the hurdles. The total is not considered enough for the purpose, but it's as much as the President dared consider. Further, it has been cut by earmarking and promises, both of which affect the number of jobs the money can provide. For the balance of unearmarked money, no actual program has been worked out. This means a time-lag in providing jobs. Again, states and local units are loath to borrow because of heavy present debts. And those already heavily in debt to PWA will squawk if new money is granted others without repayment obligation. Finally, the hazards of the fee system, without competitive bidding, embody possibilities of graft and waste both in government contracts and government buying of supplies.

## Cotton Tax Compromise

An embargo against Japanese textiles is expected to be the compromise the President will make to meet the present crusade of New England and Southern mill owners for repeal of the cotton processing taxes. His attitude is that the processing tax cannot be repealed because the government must have the money. Cotton alone provided nearly \$112 millions in 1934, is expected by AAA to yield more this year. Mill owners say no spinning—no processing taxes. Wholesale closing of mills alarms Capitol Hill.

## Whiskey Rebellion

Either the duty on whiskey will be cut from \$5 a gallon to \$2.50 or there won't be any Canadian reciprocal trade agreement. This is the attitude of Premier Bennett and it is unlikely to change. Canada got excited about our special tariff on lumber and shingles, engineered along with copper, oil, and coal tariffs, boosted rates on most articles imported from the U. S. and meanwhile lowered duties for Empire goods. Canada's huge

## WHAT CONGRESS DID

### The Senate:

*Approved \$112-million deficiency appropriation.*

*Voted inquiry on holding company propaganda.*

*Placed 1c. processing tax on rice.*

### The House:

*Passed first deficiency and agriculture appropriations.*

*Approved exemption of 3-bale cotton growers from Bankhead allocation.*

stock of aged straight whiskey is expected to break the deadlock.

## No Death Sentence Due

Outlook for the holding company legislation is that it will be turned from a straight death sentence on a fixed date—possibly with some privileges of commutation vested in a government unit—to stern regulation. Several senators will shortly take the position that regulation must suffice, but that it must deal vigorously with management charges. Modifying the still enormous protest against the holding company bill have been quite a few sequels from stockholders in operating companies, aimed at management and engineering fees.

## Work-Week War

The 30-hour bill marches on, with indications still favoring a compromise at 36 to 38 hours. The Senate Judiciary Committee passed the buck in reporting the straight 30-hour measure without amendment. Compromise is regarded as sure—eventual passage as probable.

## Strike Pressure

The strike situation throughout the country, centering in Ohio, is worrying the government, increasing pressure for the Wagner, NRA, 30-hour, and other bills involving labor. The A. F. of L., having taken the beating of the century on the prevailing-wage amendment—thanks to Roosevelt's

"Sheridan's ride" performance in the Senate fight—is grim. President Green openly threatens strikes unless Congress bows. The White House is indulging in watchful waiting, for the situation is still unripe for Presidential comment on such measures as the Wagner bill.

## Bonus Fight Ahead

No compromise is yet in sight on the bonus. The President still hopes that he can force final legislation down to \$1.2 billion. Probability now is that this cannot be effected before a veto of outright payment, which presumably would be sustained by the House, voted down by the Senate, thus forcing a cut in the total.

## Inflation Threat Controlled

Possibility of inflation remains unchanged. It is practically certain that the President will be able to check it. The House vote for greenbacks to finance bonus payment was heavily discounted long ago. The conservative strength in the Senate, added to votes the President can swing, will beat it. No such Republican maneuver as that which put over the prevailing-wage amendment in the first vote is in sight. Reason: Many Republicans voted to embarrass the President then; such a vote on inflation would be too obvious even for good politics.

## Tax Outlook Uncertain

No clear view of what additional taxes may be levied can be had until the bonus legislation is enacted—the range of possible compromises being tremendous. However, there will be a tax bill before adjournment, and probably a hefty one.

## Dust in AAA's Eyes

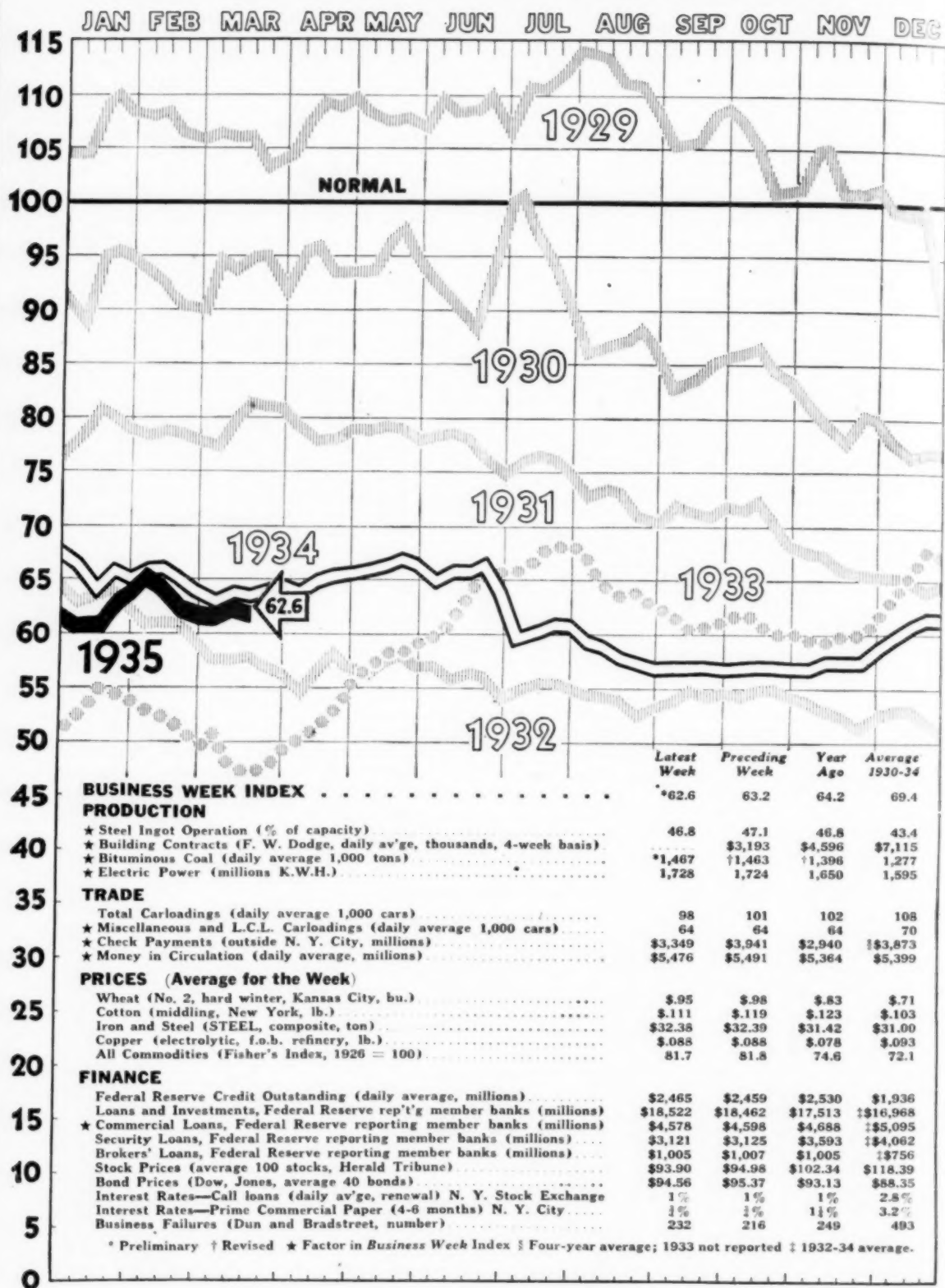
Dust storms from Western wheat fields hit Washington, prompted AAA's relaxation on spring wheat seeding to make up shortages in the Southwest's winter crop. Northwestern farmers may (if they can) raise 30 million bu. of 1936's crop this year, get full benefits upon agreement to cut acreage as much more next year.

## Hopkins Wins New Halo

Relief Administrator Hopkins is stronger than ever with Roosevelt since Governor Davey of Ohio threatened his arrest. Answer: the Administration hears that reactions in the Buckeye State are for the President, especially among Republicans suspicious of the integrity of Davey's underlings. More drastic action against relief administrations in other states may follow.



# WEEKLY INDEX OF BUSINESS ACTIVITY





# The Business Outlook

DOMESTIC markets showed scarcely any response to the stirring political and economic events in Europe. Commodity prices firmed but little despite war-scare headlines. Hesitancy still characterizes security movements and puts a damper on sentiment, despite the solid gains already achieved in many lines.

Cotton buyers saw no reason to build up inventories while raw material prices were still sagging. Steel consumers stopped to think after FTC and NRA made public their reports on the steel basing-point system. It looked as though they stood to gain something in the line of price advantages whatever views were finally adopted. Railroad officials are discussing the possibility of a wage cut to offset the rising deficit. Coal producers are feverishly digging in anticipation of April labor hostilities.

## The "Solid Gains"

On the other hand, automobile production continues to climb; clothing manufacturers are busy providing for the Easter parade; employment in industrial centers is showing somewhat more than the usual seasonal expansion; January exports rose above December levels, instead of making the usual decline, a change due largely to motor and tobacco shipments; imports were bolstered by larger receipts of foodstuffs, an expected consequence of last summer's drought. February insurance sales, though lower than January, were 11% above a year ago. Industrial insurance in particular made marked headway. Shoe production, normally headed upward in the first quarter, started 1935 with an output larger than in any other January since 1923.

## Congress Headed for Jam

In Washington, things are going slowly. This might be regarded as favorable to business since delay increases the possibility that many unwanted bills will not get through this season. Social security legislation that loomed large at the opening of Congress is being sidetracked. The drastic consolidation or elimination of codes proposed by Administration forces will compel supporters of the NRA to muster their forces behind such codes as they desire. The much discussed utility legislation will undoubtedly be modified along lines more acceptable to the industry. That the RFC should find itself in control of a far-flung utility enterprise to protect its \$90-million loan to the Dawes bank is an ironical turn of events.

## Steel Eases Off

Steel activity has continued to ease off, is now on a par with last year when a decline carried operations to

43% of capacity before the April rise set in. Fear for price stability colors the market at present, though tin plate producers are lifting output and motor manufacturers are still to come forward with their second-quarter requirements. Dust storms and floods in the farm belt may have held up buying of wire products, but farm implement makers continue to maintain a good pace. Construction steel awards were exceptionally heavy last week. Pipe and rail buying is also picking up. February freight car awards totaled 806 compared with 24 in January. Only one locomotive order has been placed in the first 2 months of 1935, though 26 have been shipped compared with 5 a year ago.

## Business for Steel Buyers

Other steel consumers who found business headed upward last year are looking forward to further improvement in 1935. Otis Elevator booked 34% more business in 1934 than in 1933, much of which will be manufactured in 1935. Carrier Corp., maker of railroad air conditioning equipment, found early 1935 business 50% ahead of last year. Other air-conditioning concerns are preparing for better volume in 1935 as modernization efforts, particularly in retail stores, theaters, and office buildings, gain momentum. Sales of stokers in January, now reported by 108 manufacturers, totaled 1,588 compared with 977 a year ago. Machine tool builders found business following last year's pattern and declining from the January levels.

## New Motor High

Motor assemblies reached a new high for the year in mid-March, almost equalling last year's April peak. Trade observers still put March down for 415,000 cars, April, 435,000, with May and June tapering off somewhat from these peaks. Third-quarter assemblies will be sharply off, a trend that bothers, especially the copper men who have leaned heavily on the motor industry for sales. If Ford completes 800,000 of his million in the first half of 1935, the last half

will find Dearborn pretty quiet. No one expects the parade of new model announcements to start much before Dec. 1.

## Car Sales Beat Estimates

February truck sales appear to have approximated those of January, while passenger car sales in 13 states were 32% ahead, as well as 114% above a year ago. This is considerably better than expectations, though additional state reports may lower the spread for the country as a whole. So far Ford sales are well ahead of those of his nearest competitors, but General Motors is counting on the effect of its local shows next month.

## Tire Prices Weak

Tire makers are somewhat apprehensive over the weakness in tire prices just as their big selling season is about to begin. Dealer reductions were made on second-line tires to meet the current sales of mail order houses. It is hoped that mail order sales will be terminated as scheduled, thus avoiding a costly price war.

## Construction Rise Expected

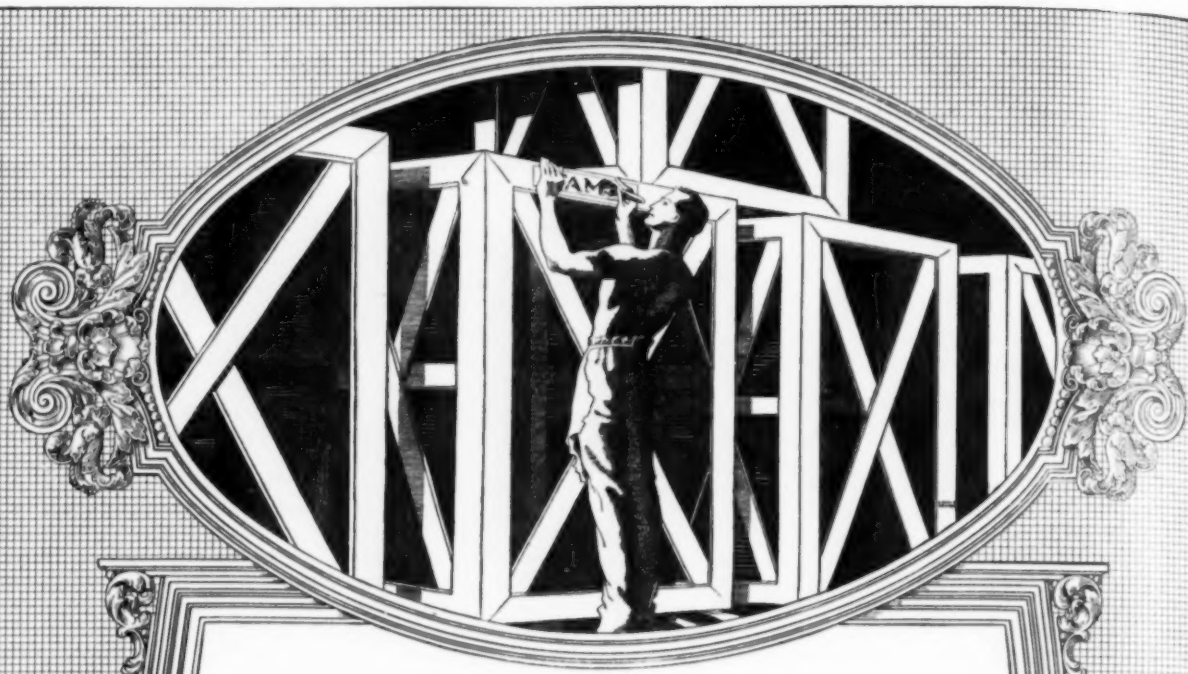
That construction will make at least a seasonal rise in the second quarter, pulling with it cement, paint, and lumber, now seems a fair possibility. Contemplated construction, particularly residential, was considerably higher in February than in January. Lumber orders in the first quarter have outstripped both shipments and production, making it possible for the Lumber Code Authority to permit a stepping up of output by 41% over the first 3 months. Despite the projects that have been reported acceptable for financing under the Work Relief Bill, it appears doubtful that much of a boost to construction will come from that source in 1935.

## Textile Troubles

Cotton textile manufacturers are becoming aroused over the situation in their markets. Protests are being voiced against the Japanese imports, the processing tax, government rigging of cotton prices through high loan values and output restriction. Cloth exports have shrunk from 564 million sq.yd. in 1929 to 226 millions in 1934. Voluntary output curtailment of 25% for the next 3 months is under consideration.

## Power Margin Thinner

Power production has held within 5% above the 1934 level for the past 4 weeks compared with a 9% margin in January when the spurt in manufacturing activity caused large commercial users to increase their consumption by 14%.



### BEHOLD THE STENCIL

A crude cutting of a card will make a stencil for a crate. But it has taken fifty years of intensive experience to develop the Mimeotype stencil-sheet, which has brought Mimeographing to a high state of perfection. You don't know what the Mimeograph can do for you until you thoroughly understand this new improvement and its possibilities. Mimeotype—the *cellulose-ester* stencil! Better copies, nicer printing of all kinds of letters, forms, bulletins, graphs, line-drawings, etc., are done at high speed and low cost, because of this remarkable development. It may make possible new and profitable undertakings, new savings, in your school or business. Stencil printing at its best! For latest particulars write A. B. Dick Company, Chicago, or consult your classified telephone directory for local address.

# MIMEOGRAPH



MARCH 23, 1935

## Europe at the Crossroads

**German move to rearm wipes out all but territorial provisions of Versailles. Threat of war stirs markets but reactions indicate doubt of immediate trouble.**

HITLER'S decree giving the Reich an army in defiance of the terms of the Versailles treaty took no alert diplomat or executive by surprise. For more than two years, Hitler and his followers have been laying the groundwork, training the leaders, equipping the men, building the airplanes. Rome, Paris, London, Moscow, and Washington have been aware of it. That is why there was nothing more than a surface flurry this week when Berlin made the announcement which was of such immediate political significance, and eventually must be of so much importance to business.

Government bonds sagged. That was to be expected. The man in the street—taken by surprise—jumped to the conclusion that smoke hid flame, freed himself of foreign bonds, hurried to buy "war stocks." These skyrocketed.

There was a currency flurry but it was due more to the serious developments in Belgium (page 29), and to reactions in London, than to any word from Berlin. If commodities were irregular, it was because the Berlin situation simply raised one more complication when they were pretty well depressed by the recent London "scandals," by questions of restriction, wavering international sales agreements. A genuine fear that war was imminent would have raised prices; they sagged until the Belgian crisis changed the picture. But if the Berlin conversations of Sir John Simon fail to bring any accord, commodity prices are likely to rise as countries rearm. Failure would also start a flow of timid British and continental funds to New York.

### Had to Make Good

What happened was this. Hitler and his Nazis were swept into power 2 years ago on a series of promises, not the least persuasive of which were these: that Germany should recover a position of respect among European Powers, and on a basis of complete equality; and that the German minorities should be reunited with the Reich, and Germany be assured raw materials sources, probably in her former colonies.

Nazi successes have been rather striking, except in the field of territorial gain. The Saar has been returned to

Germany following an overwhelming vote in favor of the Reich. This came through the legal provision for a plebiscite, so caused no serious trouble. The Polish Corridor should logically have followed, but Germany has signed a 10-year truce with Poland, including an agreement not to raise this question. If Austria could have been incorporated into the Reich it would have given Hitler sufficient prestige to forget for a time the dozen other places along the border where former German citizens live under other governments, and German honor is at stake. But Italy and France have quite effectively put an end to German aspirations in Austria—for the present.

To gloss over this failure, Hitler in one spectacular gesture last week flouted the terms of the treaty, announced the government's decision to arm on a scale commensurate with such

neighbors as Russia, Britain, Italy, and France. On top of the reparations fiasco, this leaves only the territorial provision of the Versailles treaty in force. With Germany rearmed, Europe now asks how long questions of territory will go uncontested.

France, Britain, and Italy are likely to take no move to stop Germany in this new scheme. It would necessitate forcible occupation of German territory. They did this once and accomplished nothing.

### "Der Tag" Hasn't Arrived Yet

Germany, on the other hand, is not likely to start trouble in the near future. Berlin has virtually no gold reserve (Reichsbank holdings total less than \$32 millions, compared with a reserve in France of nearly \$5½ billions, in Britain of \$1½ billions). Germany has only small stocks of raw materials in reserve. While rearmament has been under way for some time, the country can hardly be prepared to meet the united front of the opposition which inevitably includes the rest of Europe except Poland, and (possibly) Austria, Hungary, and Bulgaria, these last 3 with treaty-restricted fighting forces and equipment. (Though, outside of Europe, Germany might expect and re-



**FULL CIRCLE**—From "the war to end war," through Versailles and all the mistakes and failures since, Europe has come back to watching a German soldier paint regimental insignia on helmets for a conscript army. Market reactions to Hitler's defiance of the treaty indicate that world business doesn't expect immediate "consequences," but der Führer's threat hangs over all future commitments.



ceive indirect cooperation from Japan in the form of a simultaneous attack on a common enemy—Russia.)

Business, aware of these facts, is not greatly disturbed by immediate developments. Inevitable result, however, is new unsettlement which may develop in several ways.

#### "War Business"

Government spending on military equipment will be increased. This has already started. Germany is expected to spend up to \$165 millions more on arms equipment this year than last. France had already planned increased expenditures of \$52 millions when the Hitler announcement was made, may increase them further. The British are talking of an increase of \$25 millions. Japan's increase is listed at the same figure. In the United States, the increase asked by the President is \$180 millions. All this will stimulate business, particularly in "strategic" raw materials.

On the other hand, fear of international trouble will make business reluctant to make large, long-term international commitments. This will be a retarding factor.

Assured that Europe is again completely engrossed with her own troubles, Japan is likely to go ahead with "consolidation and expansion" schemes on the Asiatic mainland. Unless trouble actually flares up in Europe, this is likely to be confined to China, though Tokyo has already told Russia flatly that she will not renew the fishing contracts in Soviet waters at rates demanded by the Russians and, unless Moscow feels a little more secure in Europe than she does this week, this may lead to Japanese encroachment on Soviet domain. No probable move in Europe is likely to affect the United States as much as a shift of power in the Pacific.

#### They'll Be Taking Sides

Within Europe, there will be a closer drawing together of Russia, France, Italy, and Britain for mutual protection. Working with this group are the French satellites in Central Europe, Czechoslovakia, Rumania, and Yugoslavia, though a few diplomatic observers believe that Germany will attempt to alienate some of this group from their present agreements on the score that the Soviet Union and communism are a menace to Europe and should be pushed back into Asia, former Soviet territory being the reward for cooperation.

Britain had hoped to tempt Berlin back into the League with out-and-out sanction of German rearmament. Hitler moved too swiftly. It is just possible that Paris and London will be smart enough to move more quickly now, make some offer of a return of certain German colonies in Africa for German denunciation of territorial recovery in Europe. This seems now to be the most likely way to gain German cooperation

for it gives Hitler the chance to "save face" with his countrymen, and makes it possible for France to stand by promises made to satellites and treaty partners. British and French sanction of Italy's aggression in Abyssinia was obviously given to win Italy over to some scheme affecting Europe. There have long been groups in France and England which have backed the project for returning to Germany certain African colonies which would provide the country with raw materials, markets, and population outlets. This would do more than anything else to remove tensions within Europe. It remains to be seen whether Germany will be willing to accept what is offered now or is ready to wait and ultimately "take" what she pleases.

## Motor Sales Push

**Spring brings to car buyers a round of shows, some new models, a few price cuts.**

SPRING breezes are blowing into the automotive market new models, a few price reductions, special shows, and other merchandising methods to hold sales up to the estimated 319,635-car total of January-February, by far the best record in 5 years.

General Motors, adhering to an annual custom started in 1932, will stage exhibits in 51 cities on varying dates from April 6 to May 11, each show lasting a week. G. M.'s products in the household appliance field (air condi-

tioning, refrigeration, oil burners, etc.) also will be on display.

LaSalle is introducing new cars, with 4 greyhoundish bodies by Fisher. Prices have dropped \$220, now ranging from \$1,225 to \$1,325. Features include a redesigned rear axle which reduces engine speed while traveling at high road speed, a triple-range electric choke, giving the driver an option of manual or full automatic choke control, a peak load generator to prevent the battery from running down or overcharging under any normal condition of electric load or driving speed.

#### Price Cuts on 2 Lines

Nash is using 2 methods to expand spring sales. All Nash models have been cut \$70 and the LaFayette has been dropped \$5-\$50. Shortly a new line of cars, presumably to bear the Nash name, will be introduced in the price field between LaFayette and Nash, giving dealers a wider range of cars to sell. Studebaker, having completed its reorganization, has reduced delivered prices up to \$60 by decreasing the spread between list and delivered prices and by lowering prices on the Dictator. The Nash and Studebaker price cuts are believed to represent "readjustments," not to presage similar action by the industry generally.

Plymouth has added to its 6 de luxe models a series of 3 business models—a business coupe at \$510, 2-door sedan at \$535, 4-door sedan at \$570. Chrysler has augmented its Airstream 8 line with a traveler sedan on a 133-inch wheelbase priced at \$1,225.



**LOSING PATIENCE**—Labor's leaders, Senator Robert Wagner, A. F. of L. President William Green, and Labor Secretary Frances Perkins, hold a quick conference on critical points in the Labor Relations Bill just before Mr. Green took the stand at public hearings to testify to labor's rebellious disillusionment under NRA.



**LOST: \$3 1/2 BILLIONS**—That's the amount which Wendell L. Willkie (left), whose Commonwealth & Southern Corp., has successfully met TVA competition, told the House Interstate and Foreign Commerce Committee that utility's securities had shrunk in value since Jan. 1, 1933. Preston S. Arkwright of Georgia Power Co. shared the spotlight with Mr. Willkie at hearings on the holding company bill.

## "Emperor" Jones' New Empire

**Reconstruction Finance Corp. goes into the utility holding company business (in 3 countries)—and ends another chapter in the rise and fall of Harley Clarke.**

THE Reconstruction Finance Corp. puts TVA to shame in the matter of building up an electrical power enterprise. In contrast to the laborious development of the Tennessee Valley project, RFC is taking over a ready-made utility empire. Through foreclosure on a paltry \$2-millions-odd loan, it is about to acquire control of a \$400-million unit selling current in London (England), Indianapolis, St. Louis, also in some 500 smaller English, Scotch, and Welsh cities and villages, and in communities in 14 states and 4 Canadian provinces. Thrown in are important gas companies, including the one serving St. Louis, heat, water, ice, and bus companies, coal mines.

### Souvenir of Dawes Loan

Holding companies, so repugnant to the Administration, permit this extension of RFC activities. Included in the collateral posted with it by the Central Republic Trust Co., defunct Chicago bank, for the famous Charles G. Dawes \$90-million loan back in hectic 1932, was a note of the Webster Securities Co., investment concern of Harley L. Clarke, a figure in the utility world

more picturesque though less well known than his fellow townsman, Samuel Insull.

Webster Securities had pledged among other securities for a \$2-million loan from Central Republic, 80,000 shares, the entire common and voting capitalization of Public Utilities Securities Corp., the holding company at the apex of Clarke's corporate pyramid. Public Utilities Securities, in turn, held voting trust certificates for 500,000 shares of Utilities Power & Light Corp. "B," a working control out of the total of 1,167,882 "B" stock outstanding, which elects the majority of the company's directors.

RFC has taken over management of Public Utilities Securities, elected a majority of its board, ousted Clarke as its head on the grounds that this was necessary to safeguard the corporation's investment. The voting trust, in which reposes management of Utilities Power & Light, expires Apr. 1, and the utility's annual meeting follows 3 weeks later, Apr. 21. John L. Hopkins, counsel for RFC's Chicago agency, consulted with Washington headquarters this week on

the program to be put into effect at that time.

In contrast with the situation when RFC took over control of the Moffat Tunnel railroad (Denver & Salt Lake) (BW—Feb 2 '35) on the presumption that it would revert to the original parent lines upon their reorganization, utility interests feel that RFC's seizure of Public Utilities Securities writes finis to the Utilities Power & Light group.

### Breakup Job

Dismemberment and sale in parcels is predicted for the utility which violates all corporate control policies expressed in the Administration's holding-company-eradication bill. Its properties are spread from New England to Texas, consist of small isolated units outside of the concentrations in and around Indianapolis and St. Louis, and the English group.

The latter, incidentally, has been the most profitable division of the business during the depression. This reflects a Clarke policy which, if continued by the new owners, will have the United States government taking leadership in the promotional campaign to electrify the British Isles. (RFC is prohibited by its enabling legislation from even making loans on foreign securities, but can't keep them from coming in through the back door.)

Dethronement of Harley Clarke removes one of the most spectacular of the business-financial-utility figures. Intimates call him the world's greatest salesman, but not the world's greatest operator. Troubles in the latter capacity have snarled his whole career, but his agility as a negotiator staved off defeat time and time again. It preserved his position in the utility field long after collapse of an ill-fated venture into moving pictures via Fox Film (BW—Apr 23 '30), and against powerful antagonists.

### How He Started

The parallel with Insull is unavoidable, although in personal characteristics there is no similarity between the men. Clarke's career was the more meteoric. He started on a shoestring, gathered together a heterogeneous and insignificant group of Indiana properties, in time gained control of the involved Indianapolis heat and light situation out of which grew Indianapolis Power & Light and ultimately one of the giants in the utility world. Little publicized, inclined to avoid the limelight, eschewing the civic-upbuilder rôle in which Insull featured, Clarke's influence and power was appreciated almost exclusively in banking and utility circles.

The one known time when his march fouled Insull's, in the 1931 New Jersey utility fight, he came out with the better end of the bargain, selling to Insull the Eastern New Jersey Power Co. for a reported \$11 millions badly needed to

brace his tottering empire in other quarters.

Like Insull, he developed the friendship of powerful English financial interests who not only facilitated his entry into the power industry there but backed him with millions in his fight for retention of Utilities Power & Light against one of the most powerful banking groups in this country, not the ultimate receivers.

## State Price Control

**New Jersey brings California's resale price-fixing law east.**

NEW JERSEY has just enacted a "Fair Trade Law" which permits resale price-fixing contracts in intrastate commerce.

When California enacted such a law in 1931 many manufacturers and wholesalers held that no state this side of the Rocky Mountains would be bold enough to copy it. Since then several legislatures of Eastern states have had such measures under consideration but none has passed until now.

The New Jersey law is expected by many to stimulate agitation for similar legislation in several states where price conditions in the retail and wholesale field have caused no end of trouble to manufacturers with clearly announced sales policies.

To take advantage of the Fair Trade Act, manufacturers or wholesalers must be incorporated under the laws of New Jersey so that all the business they do within that state remains strictly on the intrastate basis. This done, they can enter into contracts with their customers, specifying the prices at which commodities sold to them are to be resold. Contracts between producers, wholesalers, or retailers constituting an agreement on prices are not permitted.

Champions of unrestricted competition say that the New Jersey law will never pass the scrutiny of the U. S. Supreme Court and predict that the first test case will upset the applecart of the price-fixers.

Manufacturers who have operated under the California law do not share this view. At the same time, they contend that the fair trade act has enabled them to obtain more efficient and more economical distribution of their products without resulting in any increase in retail prices—when averaged over a period of time. They predict that in many lines—particularly drugs, cosmetics, certain foods and other highly competitive consumer goods—manufacturers of standardized, trademarked lines will promptly take advantage of the New Jersey act to protect their distributing wholesalers and retailers. They add that those manufacturers who are earnestly trying to stabilize their distribution have

available the refusal-to-sell weapon, which they can bring into play where a recalcitrant customer refuses to abide by the contract.

Meanwhile, those who have been alarmed by the numerous setbacks suffered by the National Industrial Recovery Act and several similar state laws through adverse court decisions wonder whether industries and groups, interested in price stabilization and improved trade practices, may not seize upon state fair trade laws as the agency by which business can improve its competitive practices. They point out that courts in important industrial states, such as New York and Wisconsin, have declared state "NRA" laws unconstitutional or invalid, that New Jersey has deliberately abandoned its state-NRA law, and that federal district courts—as in the Weirton steel case (*BW*—Mar 2 '35)—have ruled NRA out of "intrastate" business formerly believed to be interstate and subject to federal control.

Wholesalers are interested in the fact that California branches of McKesson & Robbins, Inc., operating 66 wholesale drug houses in important distributing centers, have recently begun to sign up druggists under special "fair trade" contracts, also offering to handle the goods of other manufacturers who are eager to have minimum prices maintained on their products, but do not wish to go to the expense and trouble of incorporating in California. Similar procedure will be possible under the New Jersey law.



**NO PROFITS; NO FISHING**—All ready after a winter's layoff to go out after the big 250 pounders, the world's largest halibut fishing fleet—350 boats, 1,000 men—nonetheless refused to move from the Seattle harbor. Packers' prices weren't right, the fishermen said, wouldn't guarantee them any profit.

## Differentials

**Wholesalers argue for a code price margin to help them hold their place in the sun.**

PUBLIC hearings on distribution differentials, held last week under the auspices of the National Industrial Recovery Board, served to draw sharper lines of demarcation between opposing forces, without contributing any new knowledge on the subject.

From every field in which wholesaling by separate business establishments is still a factor, able representatives came to plead the case for official recognition of their clans through a suitable system of price differentials such as had been incorporated in the wholesale codes but held up by NRA.

Representing 1,700 wholesale grocers, members of the National American Wholesale Grocers Association, M. L. Toulme voiced the sentiment of a majority when he asked that the wholesale code apply to all concerns that perform wholesaling functions, which is exactly what chains and mass distributors don't want. It was argued that the small mark-up percentage desired for functional performance (2% in the grocery field) would rarely result in any actual price increase to the consumer, but serve to prevent direct-buying chains and mass buyers from undermining the status of concerns that do an exclusive wholesale business.

Important organizations of independent retailers joined the wholesalers in



arguing for a differential that would protect individual initiative.

Opposing interests had prepared a formidable attack, led off by J. F. Massman, president of the Food and Grocery Chain Stores of America, who insisted that differentials for wholesalers are impractical, would disturb "reasonable competition," and raise consumer prices.

Those familiar with the problems of the wholesalers doubt whether the establishment of a differential through

codes would alone be a solution. They point out that the argument on functional grounds is sound only so far as wholesalers actually justify their existence by performing the recognized functions of their trade, that differentials cannot be defended when they are intended to perpetuate a group which, through changes in methods of distribution or failure to function, has ceased to be the dominating or, at least, an important factor in its field.

localize federal supervision of the milk industry. Its duties are to study production, distribution, and consumption of milk in the Detroit area and make recommendations to Washington relative to terms of the local AAA milk license. Its functions are strictly advisory. Its membership consists of 3 producers, 3 distributors, and 3 consumers. In existence less than a year, it is destined, if reasonably successful, to serve as a model for similar boards in other districts.

When retail milk prices went up to 11¢ a quart, the board lent its moral support to distributors. Now that another 1¢ boost has occurred, the board emphasizes (as do AAA officials at Washington) that it has nothing to do with resale prices, that it concerns itself only with prices paid the farmer for his milk. Retail prices will be kept down by competition among distributors, also by competition with canned and evaporated milk.

#### All Up Together

That sounds fine, say consumers, but it hasn't worked out that way. There may be competition for individual customers, but not in price. Distributors didn't try to camouflage the latest advance as being initiated by individual companies; it was announced on printed cards distributed by the dealers' association. Consumers who emphasize this insist that independents who might otherwise show an unwillingness to go along with the big companies are held in line by the bottle exchange system; if they "go off the ranch," their milk bottle losses may swell to such proportions that they are practically driven out of business. Numerous other methods of "squeezing" the "bad boys" are

## Detroit Milk Front

**Rise in Detroit milk price brings anti-trust law down on the big distributors—who blame increased costs without increased consumption.**

AN advance of 1¢ a quart in Detroit's retail milk prices has precipitated a row between consumers and distributors, the repercussions of which are being felt in AAA circles in Washington. At the instigation of the Wayne County Consumers' Council (local unit of the National Emergency Council), the Wayne County prosecuting attorney has arraigned directors of the Metropolitan Detroit Milk Dealers, Inc., on a charge of violating Michigan's anti-trust laws.

Trouble started early last fall when Detroit milk distributors raised bottled milk prices to 11¢ a quart (the depression low was 9¢). City purchasing officials, hard put to spread relief funds as far as possible, grumbled over the increase, thought they should get more than a 1¢ concession, threatened to go into the milk business on a large scale.

Consumers talked about "a milk trust," charged the spread between the price paid the producer and the retail price was too much.

With the recent rise to 12¢, the milk squabble bubbled over the top and spilled into unwelcome laps. Consumers, ready to grant the farmer's necessity, resent the fact that every time an advance in price is made to help the producer, the distributor takes a good-sized "cut." They feel that a working agreement between producers (Michigan Milk Producers' Association) and distributors is at the public's expense, even though everything done thus far has been with the blessing of the Detroit Milk Industries Board, an AAA agency.

This board is reputedly a "noble experiment" of Secretary Wallace's to



Wide World



Kenstone



Acme

**IN THE PUBLIC EYE—AND HAIR—**When these three began to "mix it" with no holds barred, their scrap eclipsed even fights on Capitol Hill over major New Deal measures. Behind the headlines, critical observers see in Father Coughlin and Senator Long the possible genesis of a new political party. (Already, Huey seems to feel the responsibility for that development as he gazes over the mail response to a recent broadcast.) But the General is prepared to fight it out with them if it takes all this summer and next—when the political campaign will be going full blast—as well as a good many more newspaper columns.

hinted at, all to the profit of the national companies (Borden operates under its own name, also controls the Gabel-Risdon Creamery; National Dairy Products Co. operates Detroit Creamery and Ebling Creamery).

#### Consumers Suspicious

Detroit consumers don't like what AAA records show—that the spread of 6.61¢ between what the farmer gets and the householder pays for milk is one of the highest in the country. In Cleveland it is 5.99¢, New York 5.74¢, Washington 5.45¢, Philadelphia, 5.16¢, Chicago 4.69¢. They are suspicious that when distributors claim they can't make any money today, they are figuring on returns on equipment and properties which are overcapitalized, that manufacturing and delivery costs, or both, are too high.

Milk distributors, finding themselves on the spot, think they are taking the rap from persons politically interested in appearing to be champions of the public, say that they have nothing to conceal. Out of every \$1 received from the public for bottled milk, 54¢ is paid to 15,000 Michigan producers (including cost of receiving, testing, and cooling at country receiving stations), 27¢ goes to 4,000 employees as wages, 19¢ must cover the cost of all other items. Out of every 100 quarts of fresh milk, 53 quarts are delivered to retail customers, 8 to welfare customers (the city now pays 10½¢ for welfare milk), 5 to wholesale customers such as hotels, hospitals, 34 to grocers, factories, etc.

Out of the 3¢ increase in retail prices since early in 1933, Detroit distributors say that 2½¢ have gone to the farmer and most of the ½¢ received by distributors has been paid out in increased costs, principally labor. Costs under NRA have soared 129%—40% on bottles, bottle caps, gasoline, tires, ice, coal, etc. Hence the distributors' percentage margin is the smallest in years and most of the profits which can be eeked out of a tight situation must come from byproducts, especially ice cream. Hope of a fair profit on milk lies principally in creating greater consumption per family (Detroit's daily average is about 75% of the 1929 figure).

The Detroit trade pooh-poohs the idea of a milk trust. It points out that the 2 national companies do less than half the local business, asserts that their trade has shrunk discouragingly in the last 3 years. These losses are due to stiffer competition from independent companies, several of which have been started by former executives of the national companies. More distributors are doing business in Detroit today than in 1932, but fewer than in 1929.

Realizing that it has an educational job to do, Metropolitan Detroit Milk Dealers, Inc., has started a newspaper advertising campaign to tell the consumer about the retail milk business.

## Stock Exchange Revolt

**Wall Street is excited over demands for a new Exchange president, better public relations, broader representation for office partners.**

WHEN the Honorable Huey Long looked among his mud pies for an effective retort to Gen. Hugh Johnson's insults, he chose a devastating epithet. Worse than any slur on his adversary's lineage, more corroding than any comparison with the lesser mammals seemed the charge that General Johnson was the hired man of Bernard Baruch who (in the Kingfish's book, at least) is a master-mind of Wall Street and the New York Stock Exchange.

In other days the Stock Exchange would have laughed off this unimaginative bit of rabble-raising and turned back to the ticker. Things are different now. The voice of the rabble is recognized among the more disagreeable noises in the general chorus of public opinion, and public opinion has suddenly become vitally important to the Exchange. In fact, this is the issue on which the 1935 annual election campaign is being fought. There isn't enough trading to bother anybody. The 1,375 members and their partners have plenty of time for the excitement which ends with the balloting on May 13.

The storm center is Richard Whitney, president of the Exchange for the past 5 years. So far, his principal rival for next year's presidency is Charles R. Gay, senior partner of Whitehouse & Co. Mr. Gay might not make any better president than the big, courageous, hard-hitting Whitney. He might conceivably make a worse one. But that is not the point. What the opposition demands, and with growing tumult, is a change. A change at any price, just for the looks of the thing.

Here is a precipitation of anti-Whitney sentiment:

"Whitney? Sure, he's a good man

and a swell fellow. He's shown that he could stand up and take all the brickbats and ripe tomatoes the New Dealers could shy at the Exchange. Having done so, sentimental justice would demand that he continue as president. But he symbolizes the old order. Whenever he sticks his head up, rabid newspapers, radicals in the government and out, start looking for something to throw. Back in the days when the



**CANDIDATE**—Charles R. Gay, "suggested" by a powerful group of the New York Stock Exchange as a possible "opposition" candidate for president. A new head, they say, is needed to appease the New Deal.



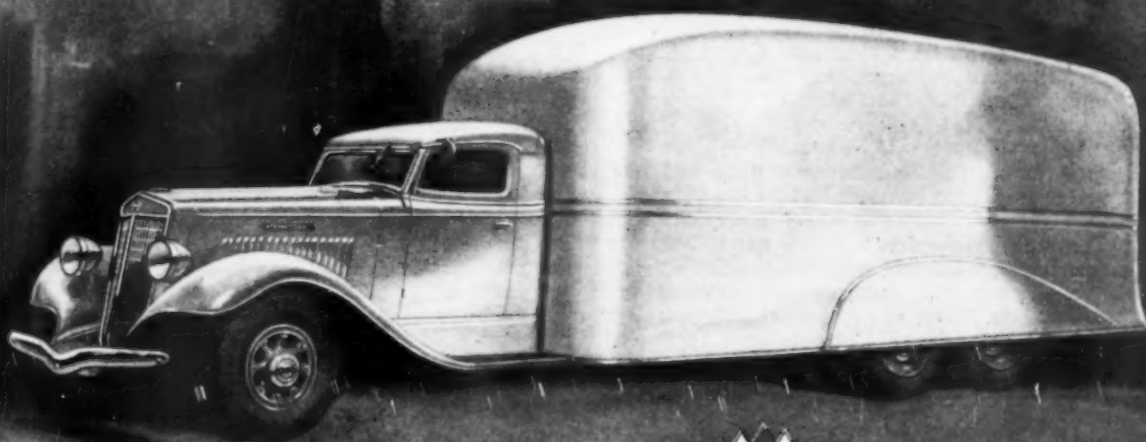
**INCUMBENT** — Richard Whitney, hard-hitting president of the New York Stock Exchange, who has stood steadfast during 5 years of hammering. Supporters think he should be rewarded with another term.

# Transportation AT LOW COST

**E**CONOMY is the sum and substance of truck ownership. You may do without economy in a car but the truck is a stern business proposition. It has always been so—but today more than ever. For more than thirty years International has sought one objective—transportation at the lowest possible cost for the man with loads to haul. That is the root and heart of International Truck success. That 30-year endeavor bears sound fruit today in the new Internationals. Here is ECONOMY—and here also is BEAUTY, and such after-sale SERVICE as only International Harvester can render.

**INTERNATIONAL HARVESTER COMPANY**  
606 S. Michigan Ave. OF AMERICA Chicago, Illinois  
(INCORPORATED)

*International Trucks, 1½-ton to 10-ton, range from light-delivery to heavy-duty dump and tractor trucks.*



## INTERNATIONAL TRUCKS



Exchange was a self-sufficient voluntary organization, it could ignore such outbursts. Now the Securities Exchange Commission tells us what to do. Good psychology demands a new president as a gesture of acceptance toward a new order."

#### **Breaking the Succession**

Old-timers consider it revolutionary for the nominating committee even to suggest a contesting candidate. Traditionally the head of the ruling dynasty has held office as long as he pleased, then passed along the honor to a successor anointed years before. The "crown prince" under the present setup is Allen L. Lindley, vice-president. His name does not figure prominently in the campaign—further proof that the reigning bloc has a major revolt on its hands.

Election machinery of the Exchange is adapted to the self-perpetuation of an oligarchy. Not only does the nominating committee control official designations for president, treasurer, and governors, it controls its own membership. Formerly, this committee named one candidate for president, one for treasurer, and the required number of governors. Other nominations can be made by petitions but traditionally when the committee said its say, everything was over but the endorsement by members' ballots.

This time a cog slipped—and it was a cog on the main shaft. Head of the nominating committee is R. Lawrence Oakley, as the name implies, a blue-blood, social-registerite and all the rest. Mr. Oakley failed to accept supinely this year's hand-picked candidates. If he had permitted himself a vulgarism his decision would have sounded like, "Let's see what the boys in the back room are going to have." In other words, at committee meetings members were invited to express opinions. Suggested candidates, headed by Mr. Whitney, and including Mr. Gay, were the result. The official slate will be presented on April 8. But no man can now say what names are to adorn this ticket.

#### **Irreverent Invasion**

A good and uproarious time was had by the opposition at the nominating committee meetings. True, one gathering was marred by an invasion typical of our irreverent times. Attendance was naturally restricted to exchange members. The doorman checking off arrivals failed to recognize a distinguished-looking youth wearing, among other evidences of acceptability, spats and a cane. Questioned on his identity, the young man said gruffly, "Hurrumph!" glared at the doorman and walked on. There was a painful scene when, altogether too late, he was discovered to be a newspaper reporter.

The incident dramatized the animosity existing between some gentlemen of

the press and the powers of the Exchange. Distinguished potentates among the traders have been heard to say that "all newspapermen are so-and-sos." Which is nothing to what some newspaper boys have said about some members. But now the newspaper boys are needed to combat the antagonism of the general public. Exchange members are calling loudly for a good-will campaign. How any Exchange management is to woo endearments out of a nation that failed to get rich by gambling in stocks, is something protestants fail to specify.

Mr. Whitney has tried his best. He has conferred with master press agents (among them Edward L. Bernays, nephew of psychoanalyst Sigmund Freud, student of the "mass mind"). This presumably touches on large questions of public relations policy. A reform of last year sought to assuage the feelings of Wall Street reporters. Mr. Whitney instituted a weekly press conference. But he isn't constituted to josh the boys, as Roosevelt does. Naturally he is unable to answer some of the questions shot at him. Then reporters with grudges take advantage of numbers to bait Mr. Whitney. And this is not conducive to sweetness and light.

#### **Capitalize Unrest**

Dissatisfied trading elements are using the unrest to go after what they have long wanted. Among office partners (firm members who contact the public) there has been a feeling that exchange members, shut off for trading in their Greek temple, should not be in full control of management. To meet this complaint 2 committees were appointed last year: an advisory committee of business leaders, and the "Committee of

Elders" made up of office partners. Members of the first body were too busy with other affairs to be of much use to the Exchange; the second committee had no real power.

In the battle for more adequate office partner representation, the Association of Stock Exchange Firms has taken a leading part. Largely quiescent in former elections, it now becomes a major factor. As a compromise, the Exchange will add 8 to the former 40 members of the governing committee. These 8 are to be non-member office partners.

#### **New Deal Contact Needed**

Underlying all the respectful opposition to Mr. Whitney is the feeling that he has lost contact with the Washington Administration. Powerful Democrats are calling in other Exchange officials. Mr. Whitney believed that after the Exchange legislation passed, the government was going to leave the Exchange alone. He said so. In January the SEC exploded in a report to Congress its 11 "suggested" points for stock exchange management. While this applied to all exchanges, everyone knew who was being stared at. Buried in the voluminous survey was this sharp barb: "Recommendations can be put into effect by the voluntary action of the exchanges themselves without resort to legislation." The 11 points covered most of the things the Association of Stock Exchange Firms wanted in respect to office partners, were a direct attack on the election mechanism by which the "ins" have stayed in. Beyond imagining is the effect on the shades of the ancients of the report's suggestion that non-members of the exchange be made eligible for president.

## **Spring House Building**

**After a dour winter, the Federal Housing Administration gets set for a revival campaign among home owners.**

THE Administration is throwing its weight behind a spring push for home building and modernization. Fresh efforts will be made by Federal Housing Administrator James A. Moffett to impress borrowers and lenders with the advantages of FHA's modernization credit and mortgage insurance plans. A new barrage will be opened up or building supply dealers, contractors, and architects who must sell the reluctant home owner on owning a bigger and better home. Sales schools will be held in 30 cities with speakers supplied by companies that have used the government's help to increase their business. The campaign will be carried into the small-industry field when Congress authorizes FHA to insure loans up to \$50,000 for plant modernization.

So far, FHA has found the going very tough though it claims that its 7 months' operations have generated \$300 millions of modernization and repair work. Though bankers now seem to be somewhat more cordial toward the insured mortgage, to date only 3,073 institutions have accepted the contract to provide home financing on its terms. FHA offices have received application from present and would-be home owners for insuring about \$7 millions; the figure is still so low that it hasn't been announced officially. Mr. Moffett's estimate that 30% of the applications filed cover construction of new homes looks high and there is some doubt as to what proportion of property owners who want refinancing can qualify for the insurance of their mortgages even if

# Long Life and Security

**THE Metropolitan Life Insurance Company** began publishing "Health Hints" for its policyholders in 1871 and ever since has carried on its efforts toward better health.

The Company cooperated with government officials in a campaign against a threatened cholera epidemic in 1892 and thus began its co-operative work with public health organizations.

In further developing its activities in the field of health, the Metropolitan organized its Welfare Division in 1909 and, at about the same time, a nation-wide nursing service was established for Industrial policyholders.

Subsequent health records demonstrate the value of these services.

During all these years the Company has worked shoulder to shoulder with national, state and local health organizations to stamp out preventable disease.

New low mortality figures were recorded in 1934 for practically all of the diseases against which public health forces have directed special preventive efforts—notably typhoid fever, tuberculosis, diphtheria, infant mortality and maternal mortality. During this year the good record of previous years continued to obtain among Metropolitan policyholders.

## Report for the Year Ending December 31, 1934

(In accordance with the Annual Statement filed with the New York State Insurance Department)

Assets . . . . . \$4,031,108,151.53

### Liabilities:

Statutory Policy Reserves \$3,521,295,348.00

Reserve for Dividends payable in 1935 upon

Industrial Policies . . \$44,192,450.00

Ordinary Policies . . 50,397,036.00

Accident and Health Policies 2,676,000.00

Total Reserve for Dividends 97,265,486.00

All other Liabilities . . . 127,615,961.40

Contingency Reserve . . 40,000,000.00

Unassigned Funds (Surplus) 244,931,356.13

**\$4,031,108,151.53**

Income in 1934 . . . . . \$903,754,216.09

Increase in Assets during 1934 \$170,346,960.14

Dividends Paid to Policy-

holders to date plus those

declared for 1935 . . . \$1,015,352,341.86

### Life Insurance Outstanding:

Ordinary Insurance . . \$10,216,839,377.00

Industrial Insurance (pre-  
miums payable weekly or  
monthly) . . . . . 6,617,508,665.00

Group Insurance . . . . 2,655,457,433.00

Total Insurance . . . . \$19,489,805,475.00

### Policies in Force (Including

1,496,612 Group Certificates) . . 41,970,561

Paid for Life Insurance Issued, Revived and Increased in 1934, \$3,287,100,370. Ordinary \$1,524,348,452; Industrial \$1,487,231,699; Group (less withdrawals) \$275,520,219.

### Accident and Health Insurance Outstanding:

Principal Sum Benefit . . \$1,332,000,950.00

Weekly Indemnity . . . . \$13,842,855.00



*The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.*

## METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER  
President

NEW YORK

LEROY A. LINCOLN  
Vice-President and General Counsel

lenders are found to accommodate them. Some part of this end of the Administration's business seems destined to revert eventually to the Home Owners' Loan Corp.

Some of the hurdles are coming down. Among them have been the state laws preventing financial institutions from making loans up to 80% of appraised value, which, coupled with insurance of such loans at moderate interest rates, are the sales features of the Housing Act. Enabling acts have now been passed by 26 states, are pending before 16 legislatures in session, will come up in others later.

#### Liberal Loan Insurance

Meanwhile, the National Retail Lumber Dealers Association reports that a survey of 23,000 retail yards has turned up some 48,000 prospects for new home construction totaling \$200 millions. On the strength of this, Mr. Moffett has ordered FHA state offices to consider applications for insurance of loans from all sources, even when there is no prior assurance from local lending institutions that the loans will be made. If a commitment that FHA will insure and the efforts of state directors fail to get local financing for an approved applicant, the applications will be forwarded direct to Washington—and Mr. Moffett says he will see that the financing is provided somehow.

One cloud on the home building horizon is the earmarking of \$450 millions in the work relief bill for housing. Retail lumber dealers are protesting that, with the new business they have promised, the government should go no further into subsidizing cheap home building.

With slow gains in employment in the building trade—and scattered shortages in skilled trades—building wages are showing a tendency to climb. This is another cloud. So is the factional split in the building trades unions of the A. F. of L. which promises bitter jurisdictional strife, unless banker and employer group resistance to wage increases forces the rival factions together—perhaps a mixed blessing.

## Mosaic House

**Concrete industry enters its bid for prefabricated housing boom—a 32-piece, concrete-panel house.**

WHEN the Bureau of Foreign and Domestic Commerce went house-counting in 63 cities last year, it found that less than 0.5% of the more than 3 million homes included in its Real Property Inventory were built of concrete.

That slight—almost negligible—percentage is likely to show a decided increase if the 6-room concrete-panel house, recently completed by John J.

Earley on Colesville Pike in Washington, achieves the popularity which the concrete industry—and John J. Earley—think it may in the anticipated boom of pre-fabricated housing.

#### Mosaic-Type Construction

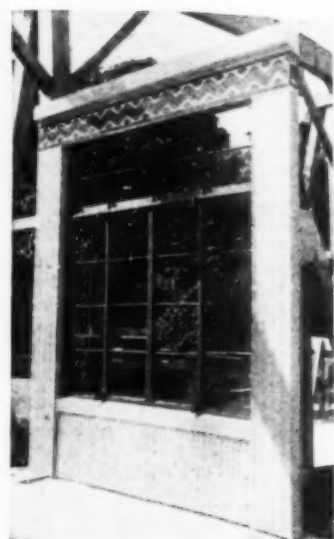
The walls of the new house are built of 32 precast panels, 2 in. thick, 9 ft. high, and varying in width from 4 to 10 ft.; all panels are reinforced with electrically-welded steel mesh. In the course of the prefabrication, casements are cast solidly into the panels themselves, thus permitting workers to proceed with interior finishings regardless of weather conditions as soon as the walls are assembled. This is accomplished by placing the panels in their proper positions against a skeleton framework erected on the foundation and closing the joints by casting light reinforced concrete columns behind them. This patented process produces a completely sealed wall, but allows for the expansion and contraction of the concrete. It possesses, incidentally, a crushing strength of 5,000 lb. to the sq. in., for each panel is cured for 14 days in a humidity chamber.

The Earley House No. 1 deserves the adjective "Polychrome" in its official title by virtue of the varied color effects achieved in the panel casting. Crushed quartz and quartz sand are mixed with the portland cement before pouring, and the aggregates (quartz particles) are selected for their hardness and unfading color. With these colored concrete mixtures it is possible to achieve rich mosaic decoration in the molds. Thus, the front door of the first Earley house boasts an intricate mosaic pattern, and a similar effect is carried out in a band around the house just under the eaves. The whole exterior of the house is of pinkish hue, and below each window is a small band of cobalt blue.

#### Avoids "Misapplication"

Although it is entirely possible and practicable to use concrete for the roof, Mr. Earley has preferred to use other materials and thus avoid "the pit of misapplication," as he informed members of the American Concrete Institute at their recent meeting in Washington.

The Earley Process Corp. claims for its houses many compelling sales features: variety and beauty of structure; permanence, complete provision behind well-insulated walls for air-conditioning, proper lighting and heating; ease of construction—1 or 2 days; economy in both original cost and upkeep. No precise cost figures for House No. 1 have been announced but Mr. Earley has indicated that it would sell for between \$7,000 and \$12,000. Since it is possible to build houses of almost any size and shape with the concrete panels, his company hopes eventually to penetrate even the mass market represented by income levels as low as \$3,000.



**PREFABRICATED**—Concrete panels like this are molded in the factory (complete with cast-in window casements), erected on a light framework, sealed together with concrete in the new Earley Process houses.

## Packer Squeal

**Hog shortage closes down small packers at Chicago, hits big ones, adds to unemployment.**

LITTLE pigs that don't go to market—6 millions of them plowed under in 1933 and more eliminated or cut in weight because of last year's drought—are making packers and consumers squeal.

Federal-inspected slaughtering in February was only 2.4 million hogs, 30% less than a year ago and smallest for any February since 1910. Receipts of live hogs at 12 major packing points are running around 240,000 head weekly against 440,000 a year ago.

Results: Packers have bid hog prices up to double those of last year, are able to get only enough carcasses for 50%-60% operations, can't get their money back at current prices for fresh pork. And these, at a 5-year high, are already curtailing consumption.

Big packers, operating at an unavoidable loss on present slaughtering, have a cushion under them in inventories of cured pork laid in last fall at bargain prices when stock was being forced on the market from short feed areas. But little packers are closing down. Slaughter-house layoffs throughout the industry have increased Chicago's army of unemployed by 5,000 since Jan. 1.

At Chicago, Hygrade Food Products Corp., Roberts & Oake, and Illinois Meat Co. have closed their hog-killing plants. Hygrade finds idle plant loss smaller than continued operations. Roberts & Oake's cutting loss has been about \$1 per cwt., that of Illinois Meat



approximately \$2 a head. P. Brennan Co., at Chicago, closed but resumed on a 4-day week, instead of 5. Miller & Hart reports a heavy cutting loss, but is still holding on at a curtailed rate.

The three plants closed have combined capacity of about 21,000 hogs weekly, the other 2 about 20,000 head capacity between them. These 5 dwarfs of Packertown, at full operations, could handle two-thirds of all the hogs recently coming into Chicago market.

Proposals in Washington to cut the processing tax on hogs from \$2.25 per 100 lb. to \$1.25 would just about enable the packers to break even on hogs. The tax would be spread to cattle, sheep, livestock products, under the plan considered, but it is a part of the AAA amendments which are meeting strong packer opposition because they involve enlarged powers to control processors of farm products under licenses.

Secretary Wallace contends that the government's killing of hogs before the drought relieved the situation rather than aggravated it, says an untrimmed hog population would have consumed more corn, glutted the market months ago.

## Oil-Treated Coal

**Ancient enemies in the fuel field seek standard emulsions to allay dust and combat freezing.**

INCREASED use of oil-sprayed coal during the past winter attracted the attention of the competing fuel industries, gave an impetus to research, promises a wider market for next fall. Oil is atomized over bituminous coal, not to aid combustion but to allay dust and to prevent unloading difficulties due to ice formation.

About 10 years back, the coal industry started experimenting with calcium chloride as a dust settler. One anthracite company added an anti-freeze for winter use. More recently Sun Oil began the development of a petroleum spray. Other oil companies became interested. Powerful allies selling the idea to retail coal dealers have been the spraying equipment companies.

There is still much experimentation needed to establish standards of spraying emulsions, determine the best spraying equipment, and decide what point in the market cycle is best for spray application. Sprays are most efficiently applied at the mine mouth. But complaints of deterioration of the coal in subsequent storage have increased the processing in retail yards. Many retailers can't realize that 3 quarts of oil is sufficient to spray a ton of coal. Use of unsuitable oils leads to protests of odors, smoke, soot. Large users are testing oil-treated coal in an effort to fix a technique of application.



## As new as tomorrow!

That's how new the reasons are for discarding the indirect method of getting your thoughts typewritten.

Nuphonic Reproduction brings your voice to your secretary with a new clarity, enabling her to hear your words just as she would have you dictate them.

Starkly new and attractive design—the work of Stanford Briggs, well-known Industrial Designer—will add to her appreciation.

Automatic devices simplify the entire operation, leaving the hands entirely free from "tending" the controls.

Your secretary will be interested in seeing the newest dictating machine development—you will, too. Whether you use the Dictaphone or not, you will want to know about it and we want to show it to you. Send us the coupon or come to see us. No obligation—no charge for a demonstration.

Dictaphone Sales Corporation,  
205 Graybar Building, New York, N. Y.

- ☐ I want to see your representative.  
☐ Please send me your Nuphonic Progress Portfolio.

Name .....

Company .....

Address .....

## THE NEW B-12 DICTAPHONE

The word DICTAPHONE is the Registered Trade-Mark of Dictaphone Corporation, Makers of Dictating Machines and Accessories to which said Trade-Mark is Applied

# Sales Financing Finds New Jobs

**Motor revival, customers picked up in new industries, and a venture into the ancient business of factoring have lifted the financing companies close to 1929.**

SALES finance companies are in clover. Large volume of business, easy money, small losses combine to make them prosper. Biggest lift has come from revival of motor sales, mainstay of profits. Finance companies are getting two cuts at the automobile business these days, having taken over the job of banking the dealer as well as the ultimate owner (BW—Jan 19'35). Then, of course, they finance 1½ used cars to every new one.

Sales financing of all kinds is hitting close to 1929's record figures, despite the fact that paper handled on retail automobile sales is running little more than half the 1929 rate. Much of the deficiency is being made up by increased wholesale automobile paper. Of the \$1.8-billion total for car financing in 1934, \$907 millions was wholesale, \$306 millions used-car retail, \$587 millions new-car retail. The 1929 total of \$2.3 billions in this division included only \$678 millions wholesale and \$492 millions used-car retail, but there were \$1,130 millions new-car retail in the picture then. If Detroit attains its 3-million car goal this year, the finance companies should be able to ride along to a motor paper volume of around \$2.4 billions.

## Appliances Added Volume

At the same time, supplementary lines built up during the slack days of car financing are doing very nicely, thank you. Refrigerators, radios, electrical appliances, washing machines, oil burners have filled in admirably, are still growing in importance. Industrial and commercial equipment has added a small but easily handled volume.

In addition to all this, a big volume gain and a steady profit-maker has been added to finance company business in the last few years as a couple of these corporations, comparative newcomers in the finance world, have stepped over into factoring, the business of financing merchandise from the manufacturer to the retailer and the oldest financing service in this country.

Under the wing of their young associates, the factors are now taking on a new breadth of activity and usefulness. This marks another transition in the long series of changes by which they have kept abreast of the commercial development of the continent since colonial days, when they started out as commission merchants for British companies selling to settlers in the American provinces. Special financial capac-

ities were forced upon them at an early date. Being originally far out of communication with their principals, they had to assume responsibility for credit and collections. Revolutionary times found many factors acting as full-fledged bankers, turning actual sales representations over to others whom they supervised and banked.

With development of domestic business, the factors first became importers and then, again, exclusively bankers for importers. Erection of protective tariffs took this business away from them but gave them home industries to finance, particularly in the textile trade.

## Merged, Diversified

Part-time operations in the textile mills and curtailment of exports, as the depression got under way, found the factors with burdensome overhead, over-extended "houses" and "annexes" (physical accommodations they provided the manufacturers and sales agencies they financed). Consolidations helped and gave them diversification. The previous tendency had been to specialize in particular textile lines, or along geographical lines.

The finance companies that have sprung up within the last 20 years with development of the motor industry have learned things about borrowing money that the factors had not acquired in their

long years of experience. Instalment sales gave the newcomers convenient collateral, the basis for secured notes. These were first sold to banks, later made the backing for publicly floated security issues. Finally, the large finance companies have become able to borrow on signature at rates unheard-of in previous generations. Commercial banks now fight for their accounts on a 1½% basis or less, and the commercial paper market bids avidly for their notes at even lower rates, ¾% on short-term borrowings.

## Factoring an Ideal Answer

Their business has become one of finding a place to use the cheap money being offered them on all hands. Factoring offered the ideal answer. In that business, volumes run large but terms are short, a matter of months where merchandise advances are made, a matter of days on straight sales discounting, as contrasted with as high as 24 months on instalment sales financing.

Commercial Investment Trust Corp., largest independent finance company and rival of General Motors Acceptance Corp. for first rank over all, was first into factoring. By 1930, its Commercial Factors Corp., a consolidation of 4 old concerns, had become the largest unit in the business. Subsequently 3 others have been acquired, 2 of them being thrown together. In 1934 the factoring business of C.I.T. amounted to \$255 millions, a new high in volume and producing record profits. This division provided 32.6% of the total of dollar turnover, although motor financing with its longer terms remains more important and more profitable.

Commercial Credit Corp., which com-



**BONUS BEGGING**—Frank N. Belgrano, national commander of the American Legion (at the extreme left), addresses a successful plea for his favored Vinson bill to the House Ways and Means Committee. Fred M. Vinson, author of the \$2-billion cash payment measure (seated at the committee desk, seventh from the right) helped push the measure onto the House floor in a close vote.

# No More Shadow Boxing



"NBC Network Aireas," just published, doesn't spar with shadowy fancies. Showing *where* and *how many* radio families are reachable through NBC, it deals squarely with facts, making available for the first time net total figures of potential circulation for each NBC network and group.

It means this to radio advertisers: now there is a reasonable and logical measurement of radio circulation—conservative potential figures upon which to base selling, distribution and merchandising plans. It is the biggest step forward yet taken in establishing factual basic data for radio advertisers and, as such, bids fair to become radio's most used reference book.

One interesting application of "NBC Network Aireas" figures is in translating listening or popularity survey percentages (or "ratings") into actual numbers. In other words, an advertiser can take a survey rating of his program based on an adequate cross section and, by applying it to the potential circulation figures of the NBC Network he is using, determine how many radio families are actually listening to it.

Agency executives and national advertisers may obtain a copy of this book by addressing our offices in New York, Chicago or San Francisco.

**NATIONAL BROADCASTING CO., INC.**

*A Radio Corporation of America Subsidiary*

NEW YORK • WASHINGTON • CHICAGO • SAN FRANCISCO







## DO YOU SPEND MORE FOR CLEAN FLOORS THAN FOR LIGHT?

**J**UST compare your lighting bill with your cleaning expense. You'll be surprised to find how little you pay for the light that is so essential to efficient operation.

Have your lighting checked. Find out how little extra it will cost to have really adequate light for every worker. You can arrange for this free check-up by phoning your electric service company, or by writing General Electric Company, Department 166, Nela Park, Cleveland, Ohio.

**EDISON MAZDA LAMPS**  
**GENERAL  ELECTRIC**

pletes the triumvirate of "big three" in finance companies, acquired the second largest factoring organization, Textile Banking Co., in 1933. In 1934 Commercial Credit's factoring division gave it \$135 millions, or 36% of its gross volume.

Revitalized at the hands of the finance companies, factoring went ahead last year to new records of volume and profit, the entire group including large independents and some 10 smaller concerns doing a business in excess of \$500 millions.

### They Are Branching Out

The factors have also branched out beyond strictly textile lines, tackling shoes, clothing, china, crockery, furniture, household and electrical appliance paper. One concern has entered liquor, another tires. The character of the business hasn't changed vitally. The client is the manufacturer, sales agent, or wholesaler. Credits dealt in are usually with the same department stores, chains, and mail order firms for which the factors have handled textile accounts in the past.

Less prominent than in former years are merchandise advances where the factor lends to the manufacturer during the period of making up stocks, collecting from the purchaser when the goods are sold. More emphasis is now laid upon strict discounting of sales. In this function, the factor takes over the complete credit and collection job of its client, assumes all credit risk. The client, in effect, sells exclusively for cash.

Depression has favored the factors. Long years of loss have eaten away working capital of manufacturers to a point where they cannot accommodate similarly impoverished dealers. Banks looking for secured loans are not attracted to this commercial lending, directly, but like it when funneled through a factor's organization. Mercantile concerns, in a contrite mood, are careful about overheavy commitments, obligate themselves lightly and pay promptly. Volume has grown with pickup in business, advance in prices.

### Room for Big and Little

Prospects of a governmental rate investigation trouble the finance companies only slightly. Anti-national-company bills may get a hearing in some states where local concerns feel the competition of the big ones that get their money cheaper, arrange exclusive contracts with manufacturers. People in the business think there is room for both big and little units, that rates are automatically going down with easy money conditions but will still provide a generous spread for profits. A new competition from small loan companies is not taken seriously since their rates are higher, and their loans are generally limited by statutes so that only cheaper used-car notes are lost in this direction.

\$289,000,000



SINCE 1898 The Maryland has paid \$289,000,000 in behalf of its policyholders. In accident and automobile claims, for burglary losses, plate glass breakage, boiler explosion damage. As surety for faithful performance by contractors, public officials, trusted employees, executors or trustees . . . in many other fields where financial hazards or liabilities required the protection of casualty insurance or surety bonds. Those 289 million dollars, paid promptly over a period of 37 years, are the measure of The Maryland's willingness and ability to keep faith with the public. Today, financially equipped and fully qualified by broad experience, The Maryland makes its services available to you, through its 10,000 agents, wherever you may live . . . in every state of the Union, in Alaska, Canada, Cuba, Porto Rico, Canal Zone, Mexico and Hawaii.

*The Maryland writes more than 40 types of Casualty Insurance, including...Aircraft...Automobile...Accident and Health...Burglary...Boiler...Elevator...Engine...Electrical Machinery...Fly-Wheel...General Liability...Plate Glass...Sprinkler Leakage...Water Damage...Workmen's Compensation...More than 14 bonding lines, including Fidelity... Bankers' Blanket...Check Alteration and Forgery...Contract...Depository...Fraud...Judicial...Public Official Bonds*

# MARYLAND Casualty COMPANY

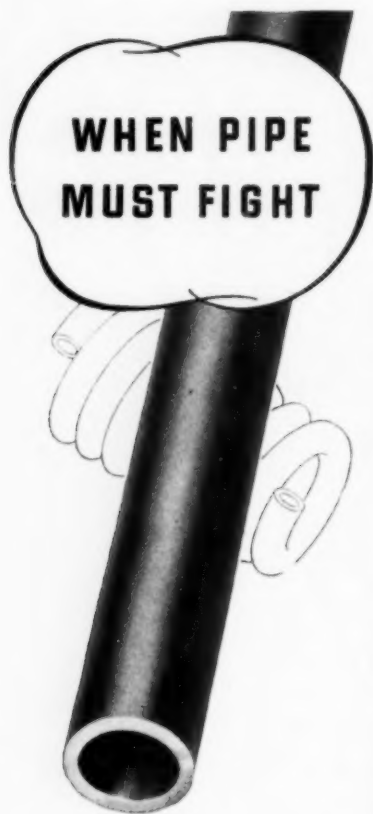
SILLIMAN EVANS, *President*

BALTIMORE

F. HIGHLANDS BURNS, *Chairman of the Board*

MARCH 23, 1935

19



## USE J&L SEAMLESS

SIZES: ½" TO 14" O. D.

Pipe with dependable strength and "fighting" qualities is required in many applications if failure is to be avoided. In all such cases use Jones & Laughlin Seamless. It has full wall strength because there are no welds; it is exceptionally ductile, being made from selected steel of uniform quality. It is especially suitable for coiling and bending, and for use in air and gasoline lines, refineries, dry kilns, railroad signal systems and many other exacting applications.

Send for your copy of the 88-page J&L Pipe Catalog; no obligation.

## JONES & LAUGHLIN STEEL CORPORATION

AMERICAN IRON AND STEEL WORKS  
PITTSBURGH, PENNSYLVANIA



## Diamond Jubilee

**Better demand for cut stones is symbolic of generally improved conditions in jewelry lines.**

MR. UMSLOPAGAS, ink-complexioned citizen of South Africa, is back at work in the diamond mines. If the improvement holds, he plans to buy himself another ostrich plume. If the rate of improvement increases, he plans to buy himself another wife.

From the "consumer" all the way back to the blue clay of the pipe mines, the occasional ray that breaks through our overcast business conditions is reflected in the diamond industry. Sydney H. Ball, diamond authority, estimates world production last year at 4,315,000 carats, worth over \$20 millions. This is an increase over 1933 of 14% in quantity and 40% in value. (Normal annual production is 7 million carats.)

Biggest factor in demand is the United States, which takes about 75% (dollar volume) of world output. Mr. Ball reports that the first half of 1934 was pretty slow, but a surprising spurt in our retail and wholesale gem demand appeared in the latter 6 months.

Of even greater significance to American industry than the diamond that merely glitters is the diamond that toils. Demand for industrial diamonds (bort) is one index to machine activity. They are indispensable to certain cutting and grinding operations. While world sales of industrial diamonds were about 50% greater than 1933, American imports were up 225%. Combined imports of gems and industrials were up only 26%. Interesting new development in abrasives is a composition wheel which has diamond dust in the last ¼ inch of its circumference. It is claimed that this will work longer than the usual metal wheels which have only a thin layer of the dust on their outer surfaces.

### Diamonds for Hedging

Better demand for adornment and for industry is not the whole story. The diamond business is getting its share of the hedge-against-inflation market. Mr. Ball notes the formation of "several syndicates of wealthy Americans" whose agents seek fine cut stones of 1 carat or more. This type "even in times of a major depression, holds up better than any other commodity" and offers almost certain appreciation with recovery. American demand for gems last year was generally for better quality and larger stones. Germany, Hungary, and France also bought for investment. (India's demand is taken as a matter of course.)

Capstone of the industry is the Diamond Corp., which buys and sells 95% of world production. Its sales of rough stones to cutters and brokers were about

60% over 1933. Demand for the first months this year has been strong. Prices of rough stones ended the year with a slight gain; fine cut diamonds also gained. But small polished stones sold off because cutters continued to cut each other's throat in competition.

A price factor is the "second," not sub-grade stones necessarily, but old stones that have been cashed in by former holders. One of the most important sellers of this type is New York's Provident Loan Society, which auctions pledged stones abandoned by borrowers. Such sales last year showed prices which generally adjusted themselves upward to meet the devaluation of the dollar but did not go above. Fears of dumping arose early in 1934, when many stones were sold by Soviet Russia in countries where it needed to establish credits. (These are former imperial jewels and others that have been confiscated.) Russian offerings later diminished and the trade hopes that hereafter they will be marketed in a more gradual manner.

### Better Jewelry Demand

Resumed demand for diamonds symbolizes better conditions generally in jewelry lines. *Dun & Bradstreet Retail* estimates sales increases for the jewelry trade at 30% to 40% over 1933. In certain lines (novelty jewelry, silverware, diamond rings, platinum bracelets, popular priced watches) autumn months were 100% ahead. Installment buying, after years of decline, revives. Substantial down-payments are made and collections thereafter are generally easy.

Watch makers here benefited last year from the higher tariff rates of 1930, but are somewhat jittery over talks of reciprocal trade dickers with foreign countries. (The devalued dollar helped keep this business at home.) Large importations of 1929 have been liquidated and there is a reduction in numbers of smuggled Swiss movements. Elgin celebrated the turn by a net profit of \$736,358 last year. January and February were well in excess of 1934. This was happy news to stockholders who had seen nothing but red ink returns for 4 years.

## Store-Door Stymie

**Petition of Western roads for free pickup and delivery L.e.l. service is shelved pending investigation.**

LAST week, the move of the Chicago & North Western and the Chicago Great Western railroads to establish a free and



unrestricted pickup and delivery service on I.C.I. freight was held in temporary check by the failure of the Western traffic executives' committee to take definite action on the petition. The plan of completely scrapping the station-to-station rate structure, which the North Western considers an antiquated method of merchandising railroad service, was vigorously opposed by other Western roads. Acting on this protest, the executives' committee, which took the petition under direct consideration rather than wait for the problem to come before it on appeal from subordinate committees, appointed a special board to conduct an investigation, report findings and recommendations in April.

#### Limited Service a Success

In advocating the establishment of a free, system-wide service, with no restriction as to distance, the North Western pointed to the success of the limited service plans of other roads in combating truck competition—particularly on short hauls—and in recovering lost traffic and revenue. Spurred by the complaints of large shippers who objected to the inconvenience and expense of drayage at both ends, Southwestern roads—Santa Fe, Rock Island, Missouri-Pacific, Southern Pacific, M-K-T, Frisco, *et al.*—more than 3 years ago won ICC approval for their plan to institute a 300-mile free service. Currently, some are agitating for extension of the store-door service to 500 miles.

In the East, similar free services offered on the Pennsylvania and Van Sweringen lines over distances up to 260 miles have likewise proved satisfactory, and in the Middle West the Illinois Central reports a 36% increase in livestock traffic as a result of its recent establishment of a pickup and delivery service on hauls up to 225 miles. Illinois Central trucks pick up livestock 10 miles from stations; farmers who deliver at railroads are allowed 3¢ a 100 lb.

#### Will Go Ahead—Regardless

Even in the event of an adverse decision, the North Western is determined to put its unrestricted plan into effect, prepare for the inevitable appeal by other roads to the commissioner of Western railroads. The North Western estimates that it will cost the road 6¢ per 100 lb. at both ends. (This is the charge made by the Pennsylvania on shipments exceeding 360 miles; it is materially lower than the drayage charges now paid by shippers.)

Another experiment in traffic building has been undertaken by the Railway Express Agency, which has just put into effect test reductions of 50% on express rates between New York and Philadelphia, where truck competition has been particularly severe. The new rates apply on practically all types of commodities, with the biggest reductions being made on the heaviest shipments.

## New Products

**New things, new ideas, new designs, new packages, new manufacturing and marketing methods.**

CORINCO cork tiles, claimed effective for deadening all types of floors, are supplied in various shades of brown, thicknesses up to  $\frac{9}{16}$ ", a wide range of sizes and shapes, including units for coved angles, wall bases, and stairway nosings. They can be sanded down to suit requirements.

In the new line of gate valves offered by Fairbanks Co. the valve seats are renewable and can be replaced while the valve remains in position. Also, all parts are interchangeable and the makers say that the gates will neither spring nor warp.

THE new "French" Hush-A-Phone enables users of the popular "French" type of telephone receiver-transmitters to enjoy greater privacy in phone conversations. Previously such equipment was supplied only for standard desk or wall telephones.

THE new Andis whip mixer has a chassis and case made of acid-proof molded material (Durez) for more convenient handling and cleaning, and a  $\frac{1}{2}$ -hp. motor for high-speed whipping results. It is designed to liquefy ice cream, bananas, oranges in 5 seconds, and so facilitate high-speed service at bars, soda fountains, and lunch counters where whipped drinks are popular.

A NEW brazing torch offered by the Matheson Co. can be used with acetylene, butane, ethylene, propane, natural gas, city gas, or hydrogen with oxygen. A special tip is supplied for handling each type of gas.

REXWELD is a flexible metal tubing, made with circular corrugations by a new patented butt-welding machine, has a bending radius of 10 times its diameter, comes in 2 types of corrugations, in lengths up to 50 ft., sizes up to 2" I. D. Either steel or bronze braid covering is available.

MILLIGAN & WRIGHT Co. announces a portable, table-type blueprint machine that operates directly from the lamp socket, uses an incandescent Angstrom lamp, has automatic timing switch, trays for washing prints and drying board. It makes prints up to 18"x34".

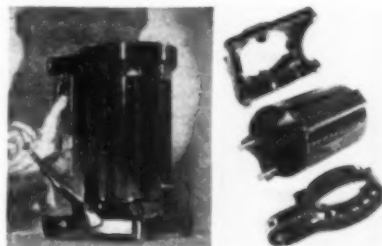
LINCOLN ELECTRIC Co. "Toolweld" arc welding electrodes are designed for restoring worn cutting edges on lathe tools, bits, milling cutters, drills, cutting and forming dies, and for permitting unlimited refacing of the original tool.

# How they did it:

SHORT CASE HISTORIES OF  
RECENT PRODUCT IMPROVEMENTS

#### CASE NO. 3

*They made a faster, better mixer at less cost — by molding the complete housing of Durez!*



The new Andis Speedwhip mixes drinks at the fountain four times as fast as the machines now in use. Its entire housing is molded of Durez. Andis found that the Durez housing eliminates many production operations and costs considerably less than a metal one. In addition, it's a better housing. It's lighter in weight and the smooth, lustrous finish is permanent—it won't dull, scratch or corrode. It is made in three molds, complete with oil-less bearings for the control shafts, and inserts for gears, motor and switch. Its finish is produced in the molding process—no buffing or polishing required. Durez' dielectric strength makes other insulation of the switch connections unnecessary. American Record Corporation did the molding.

#### If you make ...

OFFICE EQUIPMENT

COOKING UTENSILS

ELECTRICAL APPLIANCES

DISPLAY STANDS

INSTRUMENT CASES

BUILDING HARDWARE

*You can lower your production costs or improve your product with Durez.*

Durez is a phenolic compound which is molded, under heat and pressure in steel dies, into almost any shape. It is light in weight, yet structurally strong and abrasion-resistant. It comes out of the mold with a smooth, lustrous finish which doesn't dull, crack, dent or peel. It is not affected by alcohol or most chemicals. It is perfect electrical insulation, and a slow conductor of heat. Unlimited design possibilities.

No matter what you make, you should be familiar with this modern, versatile material. Write (telling us what you make) for booklet "20 Applications" and suggestions on improving your product with Durez. General Plastics, Inc., 278 Walck Road, North Tonawanda, N.Y.

YOU CAN DO IT BETTER WITH

# DUREZ

THE MODERN MOLDING COMPOUND

# Two Basing Points in Steel Study

**Rival reports on steel industry's basing point system suggest that, while NRA was working out a problem, FTC was just planning a prosecution.**

WHILE the President's order for an investigation of the steel industry's basing point system said that the Federal Trade Commission and the National Recovery Administration were to "study further and jointly" the operations of the system, those who have read the reports now separately submitted by the "rival" agencies have not been altogether surprised to find them directed to widely separated objectives.

The job was to find the good and the bad in a historic system of neutralizing freight charges as a disturbing competitive factor by specifying a limited number of shipping points from which such charges are to be figured in quoting customers.

FTC has concentrated on the "bad," by its interpretation, in 119 pages of what an eminent lawyer has classified as "a brief for the prosecution in any proceeding that the commission might undertake against industries that are using the basing-point system under approved NRA codes." The "impartial study" is largely of factors that might serve as ammunition for a political lambasting of the NRA code system in general and the steel industry in particular.

No attempt is made to study any specific phase of basing-point operation in relation to the production and distribution problems of the industry; 77 pages are devoted to examples intended to show how very clearly the plan is a price-fixing device and as such should be condemned and abolished.

## NRA Offers Suggestions

In sharp contrast to this prosecuting brief, NRA not only presents the results of a thorough study of the issue, but adds constructive suggestions on how good features of the basing-point system might be strengthened and objectionable byproducts avoided. The operations of the entire steel industry have been dissected from the standpoint of producing capacity of the various plants in terms of specific products and their relationship to basing points and distributing practices. Price movements of steel products and comparisons with other manufactured products and commodities are charted and analyzed in detail. Official records are presented to show when producers filed price changes as required under the steel code, what those changes were, when and to what extent other producers followed.

Among the significant conclusions: "The basing-point system is to be re-

garded as a system fixing the character of the geographical price structure, which does not directly control the levels of prices, but may indirectly result in modifying them."

Referring to the individual mill-base system which has been proposed and would become compulsory under the bill (S.2211) recently introduced by Senator John Bankhead (D-Alabama), NRA says: "The individual mill-base system, with abolition or serious limitation of freight absorption, is too disturbing a change to undertake at this time if ever."

## Chance to Improve It

NRA presents as one "satisfactory reason for continuing formal recognition of price provisions under the code," the prospect of "putting the system on its way toward a really sound basis." It reminds those who care to take note that, if the code provisions under attack are abandoned and the steel industry forced back to observance of the FTC's 1924 order covering the Pittsburgh-plus plan, improvements in steel's pricing system could be brought about only through prosecutions, cease-and-desist orders, "and such weapons as these, backed perhaps by new legislation." This might impose statutory limitations on the right of private business to discriminate in price which, NRA thinks,

"would be highly likely to be held unconstitutional."

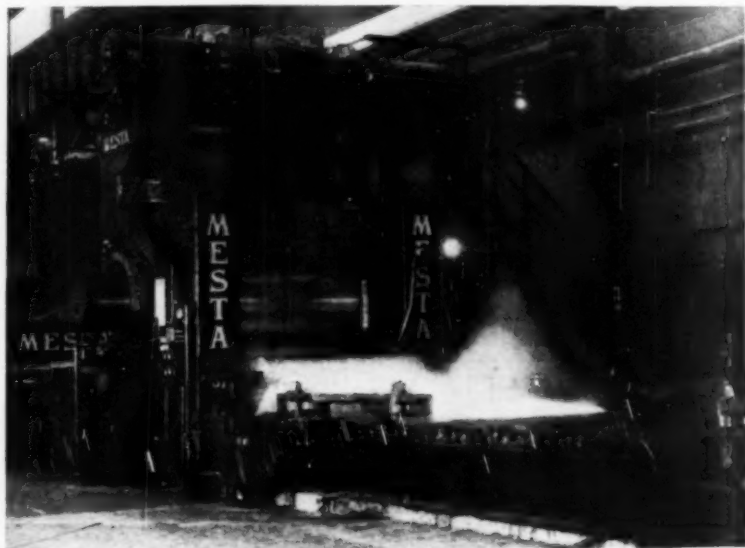
As a substitute for the basing-point plan, as now operated, NRA proposes a group-mill base system by which prices would be established for areas having annual raw steel-making capacity of 20,000 tons or more, these to be bases for all producers located within 50 miles. This plan would recognize the basing points listed in the code, add to the list of products at 10 points and create 19 entirely new group-mill bases.

## Vote Favors System

While the FTC and NRA reports were in the works, the American Iron and Steel Institute, representative organization and code authority of the steel industry, sounded its members on the basing-point system. Answers were received from 203 members who represented 97.9% of the industry's ingot capacity and 98.3% of its finishing capacity. Of these all but 1% said the system was necessary to fair competition.

Those who know production and marketing practices in the steel industry point out that radical changes in the system, which the industry evolved and has operated for more than 40 years, would create serious disruptions of the entire industrial structure. For instance, if basing points were thrown out, some producers would find their best markets closed to them, thereby causing sharp decreases in their capacity to employ and eventual migration of workers, resulting in drastic depreciation in real estate values, retail trade, etc., in towns so affected. Other producers would suddenly find themselves with a virtual monopoly thrown into their laps.

They also point out that, with aban-



**FIGHTING OBSOLESCENCE**—This "roughing stand" is only one unit in the Youngstown Sheet & Tube Co.'s new hot-strip continuous mill—a durable goods investment which spreads over 7 acres. The mill can turn out 50,000 tons monthly, roll widths from 18 in. to 75 in., and process gauge from No. 19 to  $\frac{1}{2}$  in. thick.

donment of the basing-point plan and its stabilizing and price-leveling influence removed, the big and financially strong units could engage in all types of competitive practices and price wars. These might temporarily give buyers the benefit of lower prices but would eventually leave them at the mercy of the big concerns, since such price wars would simply wipe out the little fellows. They call attention to the fact that the poll of the Institute means that, besides the big fellows, 180-odd smaller ones really want the basing-point system.

Those particularly interested in the production-control provisions of the steel code, which FTC also condemns in its report "as a support for the price-fixing features of the system," point out that, instead of retarding new construction or fostering obsolescence, this has done just the opposite. They cite the fact that U. S. Steel had budgeted \$47 millions to be spent in 1935 for alteration and modernization of finishing plants, that Bethlehem Steel is spending \$20 millions for a new sheet mill at Lackawanna, that Jones & Laughlin Steel Corp. is installing a \$4½-million blooming mill, that Youngstown Sheet & Tube Co. has a new strip mill, etc., all to the confusion of FTC.

## Follow-Ups

When the news broke, *Business Week* told the story. Later developments add these postscripts.

FOLLOWING publication of its plans for a projected transpacific service (BW—Mar 19'35), Pan American Airways System this week announced that its subsidiary, Pacific Alaska Airways, will inaugurate Apr. 2 the first through plane-steamer-plane service to the far North, providing in cooperation with other domestic airlines and the Alaska Steamship Co. a 4½-day schedule from New York to Nome. Three Alaskan routes, one up the "Klondike Trail" from Juneau to Fairbanks and thence to Nome, one from Juneau to the Kuskokwim, and one from Fairbanks to Livengood, will be flown by twin-engined, 200 m.p.h. Lockheed "Electras"—fastest transport aircraft in the world. The 7-hour schedule from Juneau to Nome will replace 34 days of surface travel.

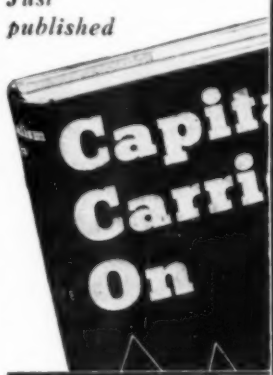
"FORWARD AMERICA," the hard-hitting anti-chain talkie (BW—Dec 8'34), has met with a serious reverse. The Federal Trade Commission has instituted proceedings against Frank R. Wilson, entrepreneur whose Economic Films, Inc., produced the talkie and has been showing it in cooperation with independent merchants, on a charge of unauthorized use of the President's picture. Mr. Wilson has until Mar. 29 to file a reply

Walter B. Pitkin  
tells  
why:  
and  
how:

# CAPITALISM CARRIES ON

Has capitalism actually been given a fair trial? Need private initiative or profit drop out of the picture? Here is Pitkin's thoughtful answer—dealing with facts—recognizing trends, conditions, crises, as they exist—showing clearly a sane and sound capitalism bringing order out of the chaos of today—with leadership by bold, resourceful and intelligent middle-class men who are willing to venture into new and untried fields—with possibilities of profit-linked-with-service and individual initiative greater than ever before.

Just  
published



"Pitkin has written a much more sane and sensible book on capitalism than have many who are supposed to know the thing inside out. His ideas hit you instantly. A good book."

—Boston Evening Transcript

SEND THIS MCGRAW-HILL ON-APPROVAL COUPON  
McGraw-Hill Book Co., Inc., 330 W. 42nd St., New York City

Send me Pitkin's *Capitalism Carries On* for 10 days' examination on approval. In 10 days I will send \$1.75, plus few cents postage, or return book postpaid. (We pay postage on orders accompanied by remittance.)

Name .....  
Address .....  
City and State .....  
Position .....  
Company ..... BW-2 23-35

Just published

## What Makes People Buy

By DONALD A. LAIRD  
Psychological Laboratory, Hamilton, N. Y.  
230 pages, 5½x8, \$2.50

A NEW and radically different slant on the consumer's unconscious desires in marketing—what he buys, why he buys it, how he buys it! Heretofore, merely the surface of the customer's mind has been scratched; this book digs into the deeper layers and lays bare the usually hidden workings.

From the scientific laboratories Laird brings the newest advances in psychology and psychoanalysis—shows, in his clear, entertaining style, how few and fundamental the motives that really control buying are—translates them into practical applications of particular value to the salesman in shaping his work and personality.



What simple motives really control buying?

What is the successful salesman like?

READ—

A New Approach to Increase Sales and Lower Costs

What Goes on Deep Down in the Average Customer's Head?

Selling in Step with What He Knows

Woman's Peculiarities as a Purchaser

A Salesman's Guide to the Mind of the Purchasing Agent

What the Sales Manager Needs and 12 other helpful chapters!

SEE THIS BOOK ON APPROVAL—SEND THIS MCGRAW-HILL COUPON

McGraw-Hill Book Co., Inc., 330 W. 42nd St., N. Y. C.

Send me Laird's *What Makes People Buy* for 10 days' examination on approval. In 10 days I will send \$2.50, plus a few cents for postage and delivery, or return book postpaid. (We pay postage on orders accompanied by remittance.)

Name .....  
Address ..... Position .....  
City and State ..... Company ..... BW-2 23-35  
(Books sent on approval to U. S. and Canada only.)



showing why an FTC "cease and desist" order should not be issued. It is argued that use of the President's picture implies approval of the film's argument.

IN Boston, where the contest craze (*BW*—Mar9'35) is as rampant as any place in the country—particularly on the newspaper front—the *Post* is making its current competition pay double dividends by building it on a consumer survey basis. Entrants are required to answer some 93 questions, all but 5 of which are purely of the inventory type: "What cereal, soap, sugar, syrup, etc., do you use?" The other 5 questions ask readers to explain the basis of their preference. Some \$1,300 of groceries will be distributed among 106 winners.

WITH its original "Zephyr" carrying capacity loads and with 2 new "Zephyrs" scheduled to make their record-breaking debut on the Chicago-Twin Cities run next month (*BW*—Mar16-'35), the Burlington this week announced a fourth streamlined train of identical model which it plans to use between St. Louis and Burlington, Ia.

Burlington is highly pleased with the 4-month record of "Zephyr" No. 1. It operates on diesel power at approximately 32¢ a mile, has carried 193% more travelers than the 2 steam trains which it replaced, will at present rates pay for itself in 2 years.

This week, also, the Chicago & North Western Railway announced improved service to the Coast. Effective Apr. 1, 8 hrs. and 50 mins. will be cut from east-bound time of the Pacific Limited and 7 hrs. and 20 mins. from the westbound schedule. The crack train will make the run from Los Angeles and San Francisco in 59 hrs. and 25 mins., from Portland in 59 hrs. and 10 mins.

EVIDENCE that furniture showings continue to attract visitors even after the close of winter exhibitions (*BW*—Feb-9'35) is furnished by attendance figures at the Chicago Furniture Mart. In February, buyers totaled 984 from stores in 33 states, an increase of 25.4% over February, 1934. Stores represented were 658, an increase of 33.3%, and visits paid numbered 1,538, a gain of 19.8%. In view of the fact that the January market was the largest two-week show in history, the return of so many buyers is regarded as indication of steadily improving retail business.

REPUDIATING long-standing dry laws, the Dakotas have marched into the wet column (*BW*—Mar9'35). Barring untoward developments, liquor and beer interests may market products of more than 3.2% alcoholic strength in municipal stores throughout North Dakota by July 1. Strict municipal control is also promised in South Dakota.



**RIGHT OFF THE BOAT**—When cruise liners returned from the West Indies this week, stewards were kept busy unloading the liquor which passengers had bought in the West Indies, following the recent court order which invalidated the Treasury ruling restricting liquor imports to 1 quart. Up to the \$100 customs limit, spirits may now be brought in duty-free—but still subject to the revenue tax.

## "Parts" Share Automobile Gains

**Though prices are up little and costs considerably, parts makers expect to ride high on the motor surge.**

WORKING currently at a furious pace to keep abreast of requirements of car assembly lines, the automotive parts and equipment industry is expecting 1935 to be its best year in profits and volume since 1930. Earnings should be fairly substantial (particularly for the larger, better managed companies) despite the fact that prices are up little if any above those of a year ago, whereas the cost of materials and labor has gone up considerably.

Explanation—volume is the key to the profits door for parts makers. Even in bad times, overhead expenses are necessarily maintained far above the level justified by sales; in better times they have to be increased only modestly; hence parts makers can cash in on increased sales more quickly than car manufacturers.

Scarcely any industry is more highly competitive than the automobile parts industry, since each manufacturer must compete in price not only against other parts makers, but also against production departments of automobile companies. Moreover, the size of profits often is limited (especially in smaller companies) by the policy of car manufacturers of asking for "breakdowns" of

bids to show cost of production. Despite these limiting factors, 9 large parts companies went from a \$6-million loss in 1932 to an estimated \$10-million profit in 1934, stand a good chance this year of earning as much and possibly more than the \$13.8 millions made in 1930. More efficient operations, as well as increased volume, will help them to do the job.

Automobile parts manufacturing falls naturally into 2 groups—parts used as original equipment on new cars, replacement parts for old vehicles. Original equipment makers, guided by the ups and downs of automobile manufacturers, have rather sharp seasonal peaks. Replacement parts makers have a more uniform volume. Even when new car sales hit the depression low, people were replacing worn parts to keep old cars in service. Proof: manufacture of replacement parts dipped to only 74% of the 1929 volume in 1932 (the depression low); original equipment declined to 38%. Employment held up better: 85.5% of 1929 in replacement groups, 56% in original equipment group.

The parts manufacturing code took effect in November, 1933. When production slumped seasonally last sum-

mer, layoffs were not in proportion to the slow-up. Work was spread and the hours cut. In 1934, number of employees engaged in original equipment production was 8% higher than at the 1929 peak; in the replacement parts group, 4% higher. Average hourly rate had risen to the 1929 level.

#### Mild Price Controls

There has been no attempt in the parts manufacturing code to establish uniform prices. In fact, a large parts maker thinks the code has been successful partly because such provisions are absent. A clause does try to outlaw sales at less than cost. No satisfactory yardstick of costs has yet been found but, with all its weaknesses, this clause has acted as a deterrent to irresponsible price-cutting without interfering with vigorous competition.

Product groups in the parts manufacturing business formulate their own supplemental codes, when desired. Nine already are in operation (carburetors, wheels and rims, replacement axle shafts, hot water heaters, leaf springs, oil filters, powdered metal bearings, gasket makers, automotive shop equipment manufacturers), 6 are awaiting NRA approval. Within a radius of 300 miles of Detroit are located 73.6% of automobile parts companies and 97.7% of the industry's employees. Within a radius of 185 miles of Sandusky, O., are 52.8% of the parts manufacturers and 80.7% of the workers. Yet individual manufacturers have their plants in almost all the 48 states; there are 57 companies in California alone.

## French Telephones

**Government telephone administration in France installs automatic systems, offers modern service.**

PARIS (*Special Correspondence*)—For every 100 persons in the United States there are 14 telephones; in Canada, 12; in New Zealand, 10. But for every 100 Frenchmen there are only 3.

Frenchmen familiar with private systems in neighboring countries and in the United States blame the backwardness to government ownership. So long, for instance, as each extensive increase in subscribers in the past meant an increase in the number of operators required to handle the business, there was no urge to extend the system, for it meant only greater expense to the government.

Paris started installation of an automatic system some time ago and expects to complete it this year. Numerous smaller places also are in the process of changing over.

With the installation of the automatic systems, the government is beginning to feature some of the services

# Burroughs

## DUPLEX

## CALCULATOR



### COMPLETE ELECTRIC OPERATION

- TWO SETS OF DIALS** Individual totals are obtained in front dials, then, if desired, transferred to rear dials for accumulation into a grand total. The two sets of dials are well separated to avoid confusion.
- ELECTRIC TRANSFER** Touching the transfer bar enters the amount of the individual total in rear dials electrically, and clears the front dials.
- ELECTRIC CLEARANCE** A single touch of a key clears the front dials without transferring; another key clears both dials simultaneously. Both operations are electric. No cranks to turn; no levers to pull.
- FASTER SUBTRACTION** Entirely new feature provides the simplest method of subtraction on any key-actuated calculating machine.
- FRACTIONAL CENT** The machine gives, or takes, the half-cent as desired; or accumulates fractional amounts in the normal way.
- OTHER ADVANTAGES** Complete one-hand control; uniform, light touch for all keys; fast, positive action; accuracy electrically enforced; the motor does the work.

The Duplex is furnished in 9 and 13 column sizes; other Burroughs Calculators in 5, 9 and 13 column sizes, hand and electric operation.

**BURROUGHS ADDING MACHINE COMPANY**  
DETROIT, MICHIGAN

**Adding, Accounting and Billing Machines**  
**Typewriters • Cash Registers • Posture Chairs • Supplies**



# Take a Sales Tip from Your Wife

*America's married women spent hundreds of millions of dollars last year for cosmetics and beauty treatments. Their own instinctive sales sense tells them what too many business executives are apt to forget—to have is one thing; to hold is another.*

\* \* \*

Customers are like husbands; they have to be courted constantly even after the first sale. And it takes the same weapons to hold them that it took to win them in the first

place—a good sales force, backed by good, consistent advertising.

If you've deserted the advertising columns temporarily, make that come-back now. Take your customer's eye off the attractive sales stories your aggressive competitors are telling him. Show him that your product is still the one to buy.

You can do this job thoroughly and inexpensively through the McGraw-Hill Publications—which cover, with a minimum of waste, the key men in "Industry's 12 Major Markets."

*This series of "reason why" advertisements is being run to help advertising agents and advertising managers get appropriations OKed today.*

## McGRAW-HILL PUBLISHING COMPANY, Inc.

330 West 42nd Street, New York City

American Machinist  
Aviation  
Bus Transportation  
Business Week

Chemical and Metallurgical  
Engineering  
Coal Age  
Construction Methods  
Electrical Merchandising

Electrical West  
Electrical World  
Electronics  
Engineering and Mining  
Journal

Engineering News-Record  
Factory Management and  
Maintenance  
Food Industries  
Metal & Mineral Markets

Power  
Product Engineering  
Radio Retailing  
Textile World  
Transit Journal



which have proved popular abroad. Subscribers can now dictate telegrams over the telephone, pay for them with their monthly telephone bill. The correct time is provided automatically. Special clerks take calls when a subscriber is out, report messages.

Finally, several newspapers have arranged with the telephone administration a system by which any subscriber who wishes to insert a short advertisement in a newspaper may call direct to the advertising department of the paper, pay for it on his monthly telephone bill.

business so that the Reich once more can have a normal export trade to which the country's manufacturing industries are geared, there is no reason why Germany should not again import these raw materials. But, freed of an absolute dependence on them, she is in an entirely different bargaining position.

## Synthetic Clothes for Germans

**Lacking domestic supply of wool and cotton, Germans push drive for substitutes, show wide variety of "ersatz" textiles of improved quality at Leipzig Fair.**

LEIPZIG (*Special Correspondence*) — Germans and their foreign guests at the spring Fair in this old city are being shown a complete line of synthetic textiles which are far more striking for their variety than for their newness.

"Vistra," for instance, a synthetic cotton fiber, has been known about 15 years. Distribution rights have been licensed to an American company since 1925. But never before has Vistra been developed into cloth in such a variety of patterns, and never have manufacturers pushed it so vigorously as it is being pushed in Germany now. For more than a year, Germans have been warned by the government that they will not be able to import raw cotton and wool in the plentiful quantities which Germany could afford so long as its exports were selling in volume and foreign exchange was accumulating to make payment. Pressed by necessity, manufacturers have made remarkable progress with their "substitute" materials. Almost every cloth manufacturer is featuring goods made of Vistra or Wollstra.

"Wollstra" yarn is only partly artificial. It is spun from 30% synthetic and 70% wool. It is made up in materials for men's suitings, and in a wide and attractive variety of patterns for women's suits and dresses. A line of "wool" stockings will soon be on the market. Wollstra is washable, but will shrink if the water is too hot. (Lux is recommended for laundering.) Abrasion and tension tests in Germany show that Wollstra wears better than wool.

### Use Same Machines

I. G. Farbenindustrie, popularly known outside Germany as the "Dye Trust," has sponsored the rapid development of these synthetic textiles. The Vistra fiber has been carefully developed so that it can be spun on regular machinery, requiring a minimum of mechanical change. It is 1.4 denier and is 1.6 in. long. Wollstra is 2.7 to 3.5 denier, and is 4 in. to 5 in. long. It works well on regular worsted spinning machinery, and Wollstra yarn handles readily on existing knitting machines.

Variations in costs indicate how seriously Germany is taking this question of freeing herself from a dependence on foreign raw materials. Vistra costs 2½ times as much as cotton. Wollstra, on the other hand, is reported to be up to 50% cheaper than wool. Germany has the marks to pay for the more expensive Vistra, but not the dollars with which to buy the cotton.

Until the last two or three years, Germany has imported all of her cotton yarn, 94% of her woolen yarn, and 80% of her flax. Something of the importance of the German market for raw materials is indicated by the fact that Germany ordinarily has taken nearly 16% of the world supply of wool, more than 11% of world cotton. Not all of this was ultimately used within Germany, for her textile plants enjoyed a fair export business.

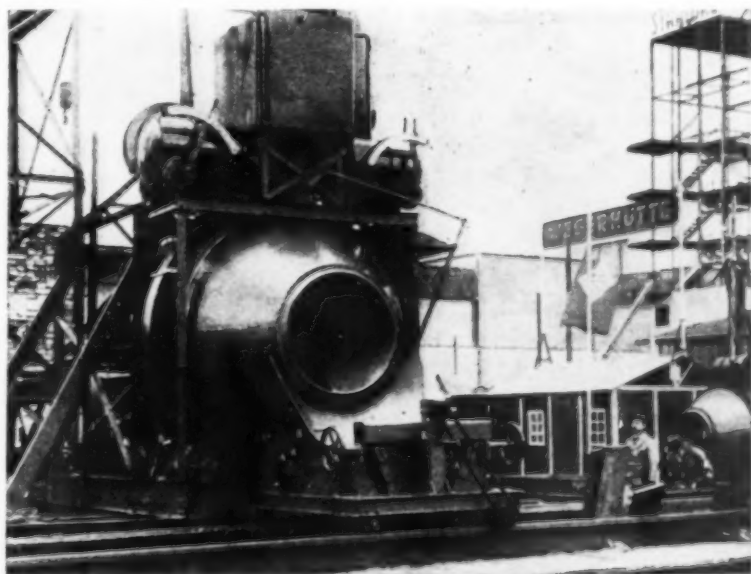
If Germany can recover some of the export markets which have been closed to her, and if there is a revival of world

The United States, as the world's outstanding producer of cotton, is concerned with the development of synthetics abroad. Germany and Great Britain have long been major markets for our raw cotton exports. Within the last 6 years Japan has climbed to the top. Textile authorities in New York say that Japan has developed synthetic fibers not unlike Vistra and that some of these have already been offered on the market, though in no such quantity or finished state as in Germany. Courtaulds, Ltd., outstanding viscose rayon-yarn manufacturer in England, acquired an unused Lancashire cotton mill a year ago and within the last 2 months has announced a staple rayon fiber for yarn which can be manufactured on cotton machinery. It is being marketed as "Fibro."

### Italy Experimenting

Italy, also an importer of raw cotton and wool, is experimenting with similar success. Snia Viscosa, leading Italian rayon-yarn producer, has brought out its own line of synthetic products, also aimed to make the country's textile mills less dependent on foreign supplies of raw materials.

And in the United States, duPont Rayon Co. is producing a synthetic fiber for spinning on cotton machinery which is finding a place on the home market.



LEIPZIG HIGH LIGHT—Back in the German fold again, the Saar Territory was ready to place this giant concrete road building machine in the family circle of German machinery exhibits at the annual Leipzig Spring Fair.

# YOUR CHECKS



## are always taking chances

As many as 23 separate hands, most of them belonging to strangers, usually pass your check en route from office back to filing case.

Between the time your check leaves your office and its arrival at your bank, anything may happen. For example, thousands of checks are stolen from the mails and cashed with forged endorsements. Unknown payees may raise the amount, or keep the instrument for future duplication. Lost checks, too, often fall into criminal hands. These possibilities are not nearly as rare as many suspect. They happen every day. They cost American banking and business more than \$300,000,000 in 1934.

To enjoy full security against such loss, shift the burden to a National Surety Depositor's Forgery Bond—an inexpensive reserve against this dangerous contingency. A trifling fraction of the average forgery loss pays the premium, assures you the dollar-for-dollar protection that makes your bank balance lossproof.

**There are National Surety representatives everywhere. Each is a specialist in Fidelity, Surety, Forgery and Burglary protection, thoroughly equipped to serve you.**

## NATIONAL SURETY CORPORATION

VINCENT CULLEN, PRESIDENT

## Wide Reading

**NO BIG TREND TO DAYWORK.** *Factory Management & Maintenance*, March. Some reasons why a group of important automobile manufacturers find it expedient to abandon piecework and bonus. Third of a series including comments from managers on the move in Detroit to restore "hour rates."

**THE WASHINGTON PLAN WORKS.** A. E. Knowlton. *Electrical World*, Mar. 2. Details of the plan whereby electric power rates are automatically adjusted to earnings based on a progressively corrected rate base.

**FIVE YEARS' PROGRESS IN PACKAGING.** *Food Industries*, March. Foil, glass, steel, transparent wrappings, paper cups and bottles—described and pictured.

**THE MYSTERY OF NAZI ECONOMICS.** Paul Crosser. *New Republic*, Mar. 6. What has happened to Germany under Hitler in the fields of foreign trade, industry, agriculture, banking and finance.

**CALLES AND THE MEXICAN MALARE.** Alice Carmichael. *American Mercury*, March. Calles, dictator in Mexico for 10 years, is in failing health. There is a question how long he can maintain control. When he loses, there will be a new struggle for power. This is a fresh source of worry to business, which has come to expect a good deal from Mexico but which is beginning to fear a new period of unsettlement ahead.

### REPORTS—SURVEYS

**COST OF GOVERNMENT, 1923-1934.** National Industrial Conference Board, 46 pp., \$1. Americans are now paying \$9½ billions a year in taxes; this is one-fifth of national income. Governmental expenditures approximate \$15½ billions. In the last 5 years the gross public debt has increased about \$14 billions. Where the revenue comes from, and where it goes.

**ADMINISTRATION OF PLACEMENT AND UNEMPLOYMENT INSURANCE IN GERMANY.** Oscar Weigert. Industrial Relations Counselors, 241 pp., \$2.50. How the federal employment system is organized in Germany; how it has functioned.

**MONTREAL STOCK EXCHANGE AND CURB MARKET YEAR BOOK, 1934-35.** Available from both the Montreal Stock Exchange and the Montreal Curb Market. High-low prices back to 1929; dividend payments; volume of sales; averages on 20 industrials, 10 utilities, and combined average of 30 issues; directory.

### BOOKS

**THE FORMATION OF CAPITAL.** Harold G. Moulton. Brookings Institution, Washington, 160 pp., \$2.50. Propounds theory that we save as we consume; have saved too much; don't need capital goods recovery for general economic recovery. Third of series studying distribution of income and wealth. Liberally illustrated with diagrams, charts. Extensive appendix presents views of others on capital accumulation.

**EXECUTIVE GUIDANCE OF INDUSTRIAL RELATIONS.** C. Canby Balderston. University of Pennsylvania Press, 435 pp., \$3.75. Case studies of 23 companies which have pioneered advanced labor relations; suggested composite program.

# Business Abroad

**Foreign exchange and markets are upset by Belgium's currency restrictions. Paris is not expected to alter French monetary policy. Germany's move to rearm openly fails to bring war threats. Cuba revises tariffs to ban Japanese goods; United States imports favored.**

BELGIUM is no longer, strictly speaking, on the gold standard. As in Italy, it has been found necessary to place all dealings in foreign exchange and gold under rigid control of the National Bank. France, while willing to cooperate, found no practical way to come to Belgium's rescue.

Far more than the bold declaration that Germany will openly rearm, this move by Belgium created a stir on international markets. All foreign exchanges fluctuated violently. The British pound and the sterling bloc were most consistently weak. The French franc remained fairly firm. Dollars were in demand.

## All Eyes on Brussels

Open devaluation in Belgium is not expected immediately, though the situation is greatly complicated by the fall of the government immediately it set up the defense mechanism for the currency. No one knows just what to expect from Brussels, but everyone is preparing now for abandonment of gold by the remaining countries before many months have passed. This would almost certainly precipitate stabilization conversations, though neither Washington nor London is expected to be pushed at once into such talks merely by the new threat.

The prospect of ultimate devaluation and inflation sent commodity prices up. This was augmented by second thoughts on the situation created by Germany.

Few expect war in the near future, but the shrewd executives know that there will be buying of essential raw materials during the rest of the year unless something happens unexpectedly to change the entire outlook. This is the same sort of buying which pushed up commodities in the first half of 1934.

Paris is likely to withstand any immediate strain arising out of the Belgian move. Italy has already taken similar, and slightly more drastic, steps. Switzerland has a special Swiss franc-sterling rate which is expected to lure tourists. Holland will be watched closely now for the next move.

British reactions are influenced by other factors. The possibility that the whole gold bloc group of countries may devalue this year presents British exporters, already dismayed by their inability to recover lost markets and by Japanese inroads into new markets, with a gloomy prospect. In addition there is the political situation in London which

is most uncertain. Labor has made such striking gains during the winter that Conservatives and Liberals are being frightened into a fighting coalition. It remains to be seen whether they can prevent Labor's sweeping into power and bringing with them bank nationalization, lower tariffs, and wider unemployment relief. And finally there is the tenseness in Europe created by Hitler's shrewd move. The British are keenly aware of the war preparations which have been going on all over Europe for more than a year. The newest move is expected to precipitate no open break, but it presents a new problem for the future which is going to demand sharp dealing. Britain is undoubtedly going to be forced to make concessions along with France, Italy, and Russia. The British would accept the situation more calmly if there were greater confidence in the British leaders who will handle the negotiations.

The meeting in Berlin of the officials from Paris, Rome, and London (page 5) will be tremendously important. If the former Allies are firm, and win a point, European tensions will ease. But if they fail to move rapidly this time, and if Hitler sidetracks them again, the way will be prepared for serious trouble.

## Great Britain

**London, aware all winter of Continental tensions, received no shock from the Hitler stand on arms. Great significance is attached to Berlin visit of Allied officials.**

LONDON (Cable)—Nothing in the Hitler move to put Germany back on a defence basis caused any sudden alarm in London. It did bring to the surface a fear which has been growing in Britain for months but which has not been communicated to the masses—that conditions in Europe could easily cause an open outbreak. This dread has influenced executives for months, just as it has worried political authorities.

This is why all Britain will focus its attention on the coming visit to Berlin of official representatives of the former Allies, and on the British official talks in Warsaw and Moscow. If some bargain can be struck with the Germans which will ease immediate tension, business is likely to recover some of the vigor of last fall. If no compromise is reached, business in the near future will be even more unsettled than it has been during the winter, when executives were just beginning to realize the seriousness of international developments. This would accentuate the weakness of the pound, would, in fact, start a flow of funds from both Britain and the Continent to New York. London rather expects the pound to continue recent weakness; the dollar is likely to be increasingly strong. Belgium's shift to a limited gold standard will not ease the situation.

Against these unsettling factors are several encouraging bits of news. Company reports continue to come out in volume and quite uniformly show im-



**FREIGHT YARDS WERE CHOKED**—When it was revealed to officials in Moscow last month that more than a million tons of metal (including 38,000 tons of rails badly needed for the trans-Siberian line), and 3½ million tons of coal were stranded in local freight yards, L. M. Kaganovich (center)—high in Soviet party ranks—was made Commissar of Railroads, told to build this year no fewer than 80,000 freight cars, 1,185 locomotives. Americans still hope for some equipment orders.



proved earnings, larger dividends. This ranges from the heavy industries to the furniture and retail trade. Though the week's developments on the Continent claimed the limelight, obvious preparations for the approaching Jubilee celebrations give heart to the retail trade and to hotels, theaters, transport lines, and restaurants.

In addition, foreign trade for the first two months of the year showed some improvement. Imports for the period were nearly \$19 millions lower than in the same period a year ago, while exports increased by nearly \$40 millions. Contracts have been signed with the Soviets for the importation of 400,000 standards of sawn timber, an increase of 50,000 standards over the amount taken last year.

The Prime Minister's health has improved this week, and it now seems that he will continue to head the government until after the Jubilee celebrations are completed in May. Shortly after that he is likely to resign, though he is expected to continue in the Cabinet which Stanley Baldwin will then head.

#### How the Equalization Fund Works

Sterling irregularities this week call to mind the forecast by *Business Week's* correspondent (which the Chancellor of the Exchequer has since confirmed) that the Exchange Equalization Fund exists to smooth out temporary unevenness in foreign exchange. It does not exist to make forlorn and desperate efforts to counter a major trend. Whitehall is not

concerned with a cheaper pound as such. It is concerned to maintain its avowed policy of achieving an independent pound, that is, of keeping sterling free from a firm link either to the dollar or to the franc. If it flung all of its resources into the task of counteracting the present drain of foreign funds outwards, it would be exhausting its means on a temporary object which in the long run is working to Britain's good. This observation may be worth recalling in the next few weeks.

## Germany

**Berlin expects only perfunctory protests to Hitler determination to rearm. Industry will revive as rearmament progresses.**

BERLIN (*Wireless*)—Renunciation of the military clauses in the Versailles treaty, troop reviews, airplane maneuvers over Berlin, plans for mass conscription on something like the prewar basis forced routine business out of the minds of Germans this week. Well informed executives and diplomats are certain that the nations which imposed the terms of the Versailles treaty on Germany will make only lukewarm protests. Hitler has restored self-respect to the Reich.

Stocks in so-called war industries boomed following the announcement.

Continued building of Germany's new war machine is expected to absorb some of the unemployed. Results, however, will not be as great as many expect because the scheme really got under way last year. It simply comes into the open since last week.

## France

**Paris was prepared for German move, but is nervous over the ultimate outcome. Belgium's monetary problem causes business uncertainty, but does not jeopardize the French franc.**

PARIS (*Wireless*)—Outwardly France accepted the Hitler announcement calmly. There was little in it which altered the picture of Germany's secret arming of which France has been aware for more than a year. But the threat to the whole Versailles setup is a source of genuine worry to Paris, for the French are pledged to protect numerous satellites carved out of former German or Austrian territory. That is why the French are so intensely interested in the coming parleys in Berlin.

#### Paris Carries On

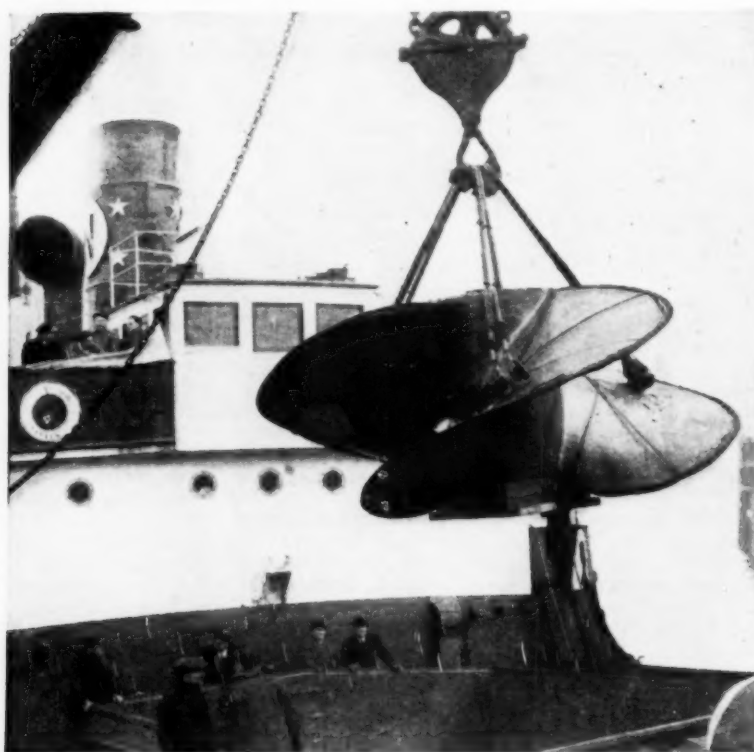
France is concerned with the Belgian move to put gold exports under a partial embargo. No other member of the gold bloc is more closely tied to France economically than Belgium. But Paris has been fully aware of the economic difficulties which have plagued the Belgian cabinet for many months. Paris will be worried until the new cabinet shows that it has control of the situation. There is nothing in the Belgian situation which will force France to take a similar move now.

The International Steel Cartel's main leaders met in Cannes recently to discuss the possibility of British entry into the Cartel. The European steel producers are prepared to offer Great Britain a proposition by which they will stop all competition in several foreign markets (particularly in South America and the Far East) providing the British will join the Cartel and accept an allotment in these markets and allow the Cartel to sell in Britain, free of duty, about 700,000 tons of semi-finished products a year. No decision was reached at the meeting. Officials will gather again in Germany, late this month further to discuss the problem with British steel leaders.

#### Prepare for Easter Parade

Business in France has not picked up in the last few weeks from the low levels at which it seems to have stabilized. The increase in unemployment seems to have touched a peak early in February, though continued depression in the automobile industry may again aggravate the situation. Textiles are in the same unsatisfactory situation, except for silk which seems to have improved quite materially compared with the same period last year. This is probably due to better sales in the Paris dressmaking business.

France's awareness of the tense situa-



**FROM ENGLAND TO NORMANDIE**—One of the 4 English-made propellers which will drive the *Normandie* across the Atlantic in 4 days is lowered into the hold of a Channel vessel for delivery at Havre. Now in dry dock while her 23-ton propellers are being installed, the giant French liner begins trial runs April 20. She will begin her maiden voyage to New York on May 29.

tion in Europe is exemplified in the extension of the military service to 2 years, despite the strong opposition of some political parties. To appease the opposition, the class called in April, 1935, will have its term extended only 6 months. Succeeding classes until 1939 will serve for 2 years. The government will at the same time have the right to reduce the military service age from 22 to 20.

## Canada

**With unemployment insurance assured, Canada turns to 8-hour day and 6-day week bills. Tariff Board will investigate automobile prices.**

OTTAWA—Prime Minister Bennett's continued absence from the House of Commons is not delaying progress with his reform measures. They are being moved up with sufficient rapidity to permit the government to bring on the election at an early date if it should decide to do so. Some of the politicians look for dissolution as soon as the Prime Minister returns, probably after the Easter recess. Others think the Ministry will not go to the country until later in the year.

With the unemployment insurance measure passed, the Commons is taking up other items in the reform program as they are presented by the Ministry. The 8-hour day bill is almost through. It was preceded by the measure to enforce one day's rest in 7 for all Canadian workers.

### 8-Hour Law Adjusted

The government found it had to make some important alterations in the 8-hour day bill. On reconsideration it was recognized it would be impracticable to apply the act to certain industries and that neither employers nor employees in these industries desired the limitation of hours of work. The amendment covering this point gives the government power to exempt industries from the operation of the act where work is intermittent, seasonal, and subject to intervals of discontinuance. A further amendment provides that the measure shall not come into force until 3 months after royal assent is given. This ensures that whatever government is in office after the general election will have the administration of the legislation.

Government action of more immediate interest to the business community was taken outside Parliament when Finance Minister E. N. Rhodes authorized the Tariff Board to undertake at its earliest convenience an investigation into the automobile industry in Canada. This investigation has to do with the government's sudden concern for the disparity between prices of motor cars in Canada and the United States. It is a pre-election move. Low tariff politicians have been protesting for years that the automobile industry was enjoying too much protection and taking unfair advantage of it at the expense of the Canadian consumer. The question is

one of long standing. It was argued out before the old Tariff Board some years ago with Canadian manufacturers, who are mainly subsidiaries of American companies, offering strong justification for the difference between prices in Canada and the United States. Their main argument was the advantage which mass production gave the American manufacturers.

The latest of Prime Minister Bennett's reform measures to reach parliament is that for the creation of a "brain trust" to assist the Prime Minister with economic and social problems. The body will be called an economic council, will consist of 15 members who will be drawn mainly from the civil service and will serve without additional pay. The move is labelled here an importation from Washington by W. D. Herridge, Canadian Minister to the United States.

## Latin America

**Cuba revises tariff schedules; Japanese imports will be reduced. Brazil will ratify new trade agreement with United States.**

CONDITIONS in Cuba are more settled than a week ago. The army has control; strikers have largely returned to work; railroads are operating again. But there is small confidence in the present régime, and complete reluctance to go ahead with commitments.

Cuba's new tariff has several features. It includes 3 tariff scales: One applies maximum rates to countries whose imports from Cuba are less than 25% of their exports to the island; the second applies the minimum tariff plus a 25% surcharge on goods from countries which purchase from Cuba 25% to 50% as much as they sell; and the minimum rate will apply to countries which buy at least half as much from Cuba as they sell there. The United States comes in the group paying the minimum rate. Japan will be forced to pay the maximum rate. In fact, the treaty is said to be aimed primarily at Japanese imports which have been flooding the island while exports to Nippon have been inconsequential.

### Will Thaw Funds in Brazil

Brazil is expected to ratify the new trade pact with the United States within a few days. The loan to the Rio de Janeiro government, reported from London some time ago, has not been confirmed, as *Business Week* anticipated. It is true that the British Board of Trade is negotiating a new trade agreement with Brazil and that there may be some understanding connected with it which will help to thaw British funds now tied up in Brazil. But there almost surely will be no £4-million "loan."

Tubize Chatillon, manufacturers of rayon, are known to be considering removal of their Hopewell plant, which has been closed since labor troubles put an end to manufacturing last summer, to Brazil. Final decision is likely to be made within the next few months.

## Far East

**German move is readily accepted in Japan. Chinese Eastern is formally handed over to Japan.**

BUSINESS in the Far East was quiet this week. Japan received with evident satisfaction the news from Berlin. It provides a new preoccupation for Europe, which gives Japan a free hand in China for another period of time. Also, the new complication in Europe involves Russia, which pleases the military clique in Japan. Recent growing tension in Europe, demanding Moscow's undivided attention, no doubt influenced the Soviet in their decision to offer to withdraw border troops in the Far East if Japan would cooperate in creating a neutral zone.

Details of the sale of the Chinese Eastern Railroad by Russia to Japan have been completed and the old line is being renamed the North Manchuria Railroad. Control has already been handed over to the new owners.

The possibility that Belgium's move to manage the currency on a restricted gold basis has roused new fears in China that the whole gold bloc will abandon the gold standard and, with the threat of war in Europe, may place barriers to the export of gold. This is expected to place a new premium on silver which will continue and exaggerate the monetary problem in China.

## CONSIDER the ADVANTAGES

OF establishing a Factory in LANCASHIRE to supply the British and Empire Markets under favourable conditions.

OR

OF arranging for your specialty products to be made under licence by enterprising and capable LANCASHIRE FIRMS.

**LANCASHIRE is Britain's Leading Centre of Industry.**



Enquiries invited and treated in confidence.

Write for free information and preliminary advice to:—

**J. BENNETT STOREY,**  
General Manager

**LANCASHIRE INDUSTRIAL DEVELOPMENT COUNCIL**

Ship Canal House, King Street, MANCHESTER, England

or THE TRAVEL & INDUSTRIAL DEVELOPMENT ASSOCIATION OF GREAT BRITAIN & IRELAND, 1 Pall Mall East, London, S.W.1, and British Empire Building, Rockefeller Center, New York.

# Money and the Markets

**No change in monetary policy is expected from fresh disturbances in exchange. Market finds more significance in Treasury's ambitious refunding. Rails and utilities show strength in bond rally. Stock market feels better. Pressure on commodities is relieved.**

THE financial world assumed a calmer attitude this week and markets took a more orderly course, despite a startling sequence of events abroad by no means conducive to tranquillity. Belgium's defection from the gold bloc with repercussions throughout the exchange markets left domestic banking circles unmoved (page 29). Set down as one more step toward general abandonment of the gold standard and toward ultimate world accord on stabilization, it was assumed to carry no immediate influence upon monetary policy in this country.

## Dollar Manipulation "Out"

More significant was the Treasury's call of another \$1.9 billions of Liberty bonds and definition of Administration financial and credit policies before the congressional committees considering the new bank bill. With another huge refunding project under way, it is felt that, almost regardless of what other countries do, dollar manipulation is out, at least until June 15, when the called bonds are payable. It has been indicated time and again that the additional 9¢ leeway of devaluation in the dollar would be used only as a defense weapon against a campaign of depreciated currency values abroad and there is no expectation that the foreign situation will come to a head fast enough to force the Administration's hand immediately.

The 3-week parade of governmental officials and experts before the House and Senate committees which have had the bank measure under consultation has provided a preview of fiscal and credit maneuvers little different from those of the past year.

Included in Administration plans is a "more responsive" banking system which, it is hoped, will pour out credit more readily, stimulate the use of buying power already lodged in bank deposits. Continued governmental spending of future income is relied upon to bridge the gap before credit expansion comes to the support of prices and business activity. The official attention given the 2 big private bond issues scheduled for flotation this week indicates the fervency with which the Administration hopes that the capital markets are about to reopen and add their flow of funds to employment-making activities.

## Foreign Currencies Weak

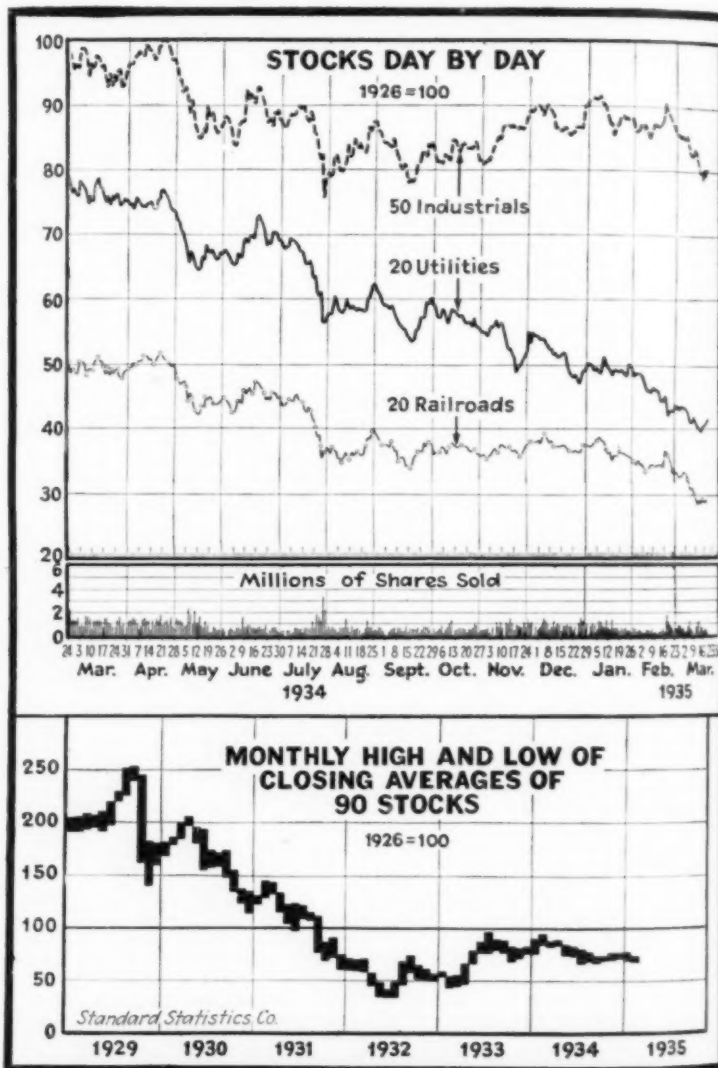
Another period of intensive activity for the stabilization fund is foreshadowed in the weakness of foreign currencies. So far, fluctuations have been held within narrow limits for all the nervous jiggling of quotations. More gold imports are inevitable. Otherwise, the dollar would immediately sour to a point paralyzing export trades and

inviting a new flood of cheap imports. All natural influences will tend to elevate the dollar, depress other currencies. Only in case the stabilization fund was unable to offset this trend would devaluation be considered. It is always possible, of course, for the Treasury to start buying bonds with currency as it is specifically empowered to do. Even a gesture in that direction incident to retirement of the additional Liberties could set up a counter-current against the dollar to equalize its position in foreign exchange.

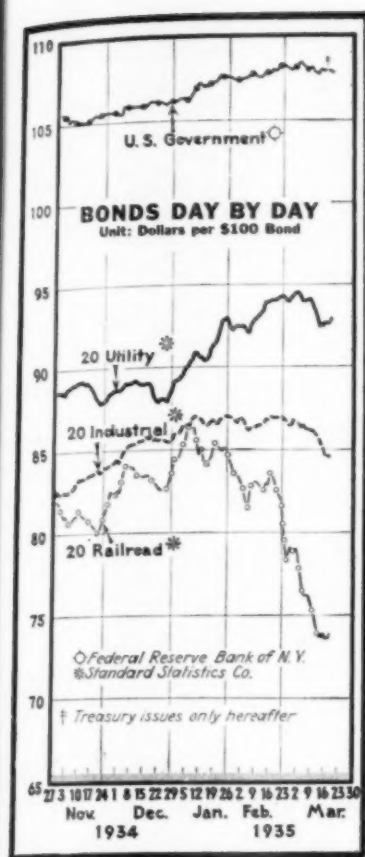
The spending program, long restrained by the shortage of funds for

relief, promises to get going again with the work-relief bill finally going into action. The Administration is \$3.7 billions behind the ambitious schedule of spending outlined by the President at the first of the year (B11)—Jan. 12, 1934. cannot hope to attain the \$8.6 billions total for the present fiscal period. Its concern now is to have constructive projects ready to fill up the gap in employment left by the summer recession in business activity.

If the President avoids spending another \$2 billions in immediate cashing of the soldiers' bonus it will apparently be by veto. Three bonus measures before Congress all entail an outlay of money or bonds to that figure. The Patman bill would issue currency directly, the Tydings-Andrews bill would exchange government bonds for the compensation certificates in veterans' hands, the Vinson measure provides a means of payment, assumes that new taxes or new borrowings will be arranged to take care of it. Chances are considered slim for heading off all proposals before they reach the President but it is still hoped that the Senate will







support a veto, probably after the House has overridden it.

First-quarter income tax receipts of the government, \$191 millions for the first 15 days of March, were up \$43 millions or 29% in comparison with last year. Total first instalment is expected to exceed \$300 millions, reflecting better personal incomes and corporation earnings, and some expansion of the tax base resulting from special levies on personal holding companies and the change in the capital gain and loss calculations.

## Bonds

Prices on investment securities leveled off this week after their extended drop during the last month. Gilt-edge corporation obligations resumed their advance when the unsettling influence of reactions in other divisions of the market was removed. Even the lower-grade issues bounced back from their recent bottoms—and included in the rally were the railroad and utility issues. In fact, those much-abused securities have recently given a better performance than industrial bonds. Partly responsible is the report that the President's next special message will be devoted to the railroad situation and will urge favorable consideration of the Eastman legislative program to regulate the carriers' competitors, facilitate reorganization of weaker roads. This will make good news for railroad securities, although it seems unlikely that a constructive message on

railroads would actually help them any more than last week's unfavorable message hurt the utilities.

Weakness in prices has been largely restricted to government obligations, both federal and foreign. Germany's open rearming led to a sharp break in that division of the foreign list, which was further upset by the financial and political crisis in Belgium.

The magnitude of the government's debt transactions appeared to be the major factor behind the weakness of Treasury issues. The several transactions now under way constitute the biggest financing ever undertaken. The \$1,850 millions refunding of Fourth Liberty 4½s is not yet concluded, promises to leave a residue of some \$250 millions to be paid off in cash Apr. 15. There are the \$600 million Consols to be met July 1 and \$75 millions Panamas on Aug. 1, both being paid from gold profits.

### New Borrowing in June

Additionally, the Treasury has called the several issues of First Liberties, aggregating \$1.9 billions, for payment on June 15, at which date there is also due \$417 millions of notes. Government bond circles look for new borrowings of \$1 billion or more in June, meaning a total of some \$3.5 billions for refunding and new money. Naturally it is presumed that an exchange offering will be made for the Liberties before the call date to lighten the job on June 15 to that extent. But meanwhile the Treasury is expected to issue a call by Apr. 15 for the \$1.3 billions of Fourth Liberty 4½s for payment next October. So the last of the wartime borrowing will have been paid or converted.

In the course of the tremendous refunding program, which started in 1933, the Treasury will have cut \$90 millions off its annual interest bill, but experts in the government market feel such concentration of the cleaning-up process within the current year means use of short-term obligations for a part of the exchange offers. Otherwise, the flood of new long-term obligations coming out to replace issues that have fallen into the short-term category by virtue of their call features would tend to glut the market. On the other hand, notes with maturities up to 5 years could be issued almost without limit and find ready demand from institutions.

A choice between long- and short-duration securities is expected in the exchange offering for the \$1.9 billions First Liberties, the greater part of which are lodged with individuals, for whom they had special attraction by virtue of their complete tax exemption. It is presumed that new bonds subject to surtax levies would not be attractive to such holders. Even notes with full exemption will be taken grudgingly, since their yield will be far less than the coupon rate on the bonds surrendered.

### Municipal Press Claims

Municipal bond salesmen have made good use of this situation, pressing their better yielding, fully-exempt securities as an advantageous switch for the called bonds. Port of New York Authority is utilizing the spurt in municipal bond values to get out \$34 millions of bonds.

The 2 big corporate bond offerings for Swift and Pacific Gas (BH—Mar 16'35) are scheduled for next week, but no further new business has appeared. Chrysler Corp. is using bank credit to retire the remaining \$30 millions of its assumed Dodge Bros. debentures, reverting to the financing tactics used by Standard Oil of New Jersey and others last year. It will borrow \$25 millions to be paid in 5 annual instalments, meeting the \$5 millions difference and the premium out of funds on hand.

## Stocks

Stock market interests are developing a somewhat more hopeful mood. When other markets—particularly commodities—stabilized and threatening news from Europe failed to precipitate any important liquidation, a more or less sold out condition was disclosed. A few traders undertook modest ventures on the constructive side of the market, drove in some shorts here and there.

However, rallies resulted more from lack of selling than from new buying, although shares of investment quality reflected the diligent search of surplus funds for suitable employment.

Put in a happier frame of mind by the market's behavior, stock operators began to anticipate first quarter earnings reports, cognizant of the fact that the bulge in business activity at the first of the year will be reflected in the showing of many companies. Results of the government's poll of business concerns, which reported gains up to 30% during January and February, reminded them of that favorable beginning of the year which had been largely disregarded in the subsequent fit of pessimism.

### Aviation Stocks Stimulated

The brief war scare had little direct market reflection. Aviation shares were in demand for a time but as much because of domestic trade prospects as because of the possibility of war orders. Between hopes of air mail rate increases and the world-wide rearmament programs, the outlook for the industry has been improved.

Utility shares have rebounded sharply from the bottoms touched a week ago, buoyed up by hopes that the holding company bill will get tied up in the legislative jam or at least be roundly modified. Its extreme character is thought to be a possible advantage now for it has bred strong opposition.

The Securities and Exchange Commission is now tackling its hardest job, regulation of over-the-counter security dealers, a field which embraces far more concerns than are controlled through stock exchanges, including as it does bond houses as well as stock firms without exchange affiliations. Registration of the dealers—rather than of securities—has been adopted as the method of control. An outline of the plan presented to leading concerns and association groups has met general approval. Criticisms merely recognize the difficulty of defining reprehensible practices, a matter that will require some more of SEC's trial and error administration.

## THIS SALES TOOL is producing

**Volume  
and  
Profit**

*It takes a little  
gift sometimes to  
open closed doors*

or

melt the barrier to a prospect's mind. Situations where a gift could be used properly may exist within your own company now. If so the Gits-NIFE is at your service.

### The GITS-NIFE

is a useful little companion—so handy and unusual your prospect or customer will want to carry it with him constantly. Every time it is used your name (or slogan) on the side of this knife smiles out at the user, reminding him of your excellent products and the service you stand ready to render him.

*Write us to learn how companies with sales problems are using the GITS-NIFE as an effective unit in sales strategy.*

**GITS BROS. MFG. CO.**  
1844-62 S. Kilbourne Ave., Chicago

**FREE** TO EXECUTIVES. We will send a free sample GITS-NIFE to demonstrate its effectiveness as a sales tool. Write on company letterhead and please use your title.



*The  
GITS-  
NIFE  
is also  
available  
through  
reliable  
stationers.*

## ONE BIG FAMILY

Among the ties that help create the one-big-family feeling in a plant or office nothing excels

### GROUP INSURANCE

When the chief and his force join in this helping-hand program, they are drawn together in lasting ways.

*Plans and figures  
ready for Employers*



**THE PRUDENTIAL  
INSURANCE COMPANY  
OF AMERICA**

EDWARD D. DUFFIELD, President  
Home Office: NEWARK, N. J.

## Commodity Markets

PRICES got a respite this week from the steady liquidation that had been forcing them relentlessly downward since the first of the month. A general firming up followed although without any notable signs of buying being resumed in an active way. Short covering, price-fixing, and removal of hedges by consuming trades, with an arrest of foreign selling, accounted for the reversal of trend.

Liquidation came to a climax last Monday when the European war cloud and Belgian financial crisis subjected domestic markets to bumping that appeared world-wide. International aspects of the situation were disclosed in the fact that rubber and cotton, principal world trade commodities, were special targets. Rubber broke in that session to 10½¢ per lb., cotton to approximately the same level, where it was a full 2¢ below the 12¢ loan-support figure, freight and carrying charges considered, and as much below the price prevailing a year ago at this time.

This is a strange reaction to a war scare which would ordinarily plunge the world into a scramble for supplies. It reflects the greater current importance of the world monetary situation. American dollars are a haven for funds fleeing uncertainties abroad and sale of commodities in this market is one means of converting foreign balances into dollar credits.

### Potential "War Buying"

Nevertheless, commodity traders looked ahead to potentially helpful price factors in the European situation. Dismissing the possibility of imminent conflict, they did not overlook the expenditures involved in swollen war chests. The powers involved will look carefully to stores within their borders, will not be so readily inclined to pinch off imports of essential commodities for which they are dependent upon outside sources.

Speculators attached importance in this connection to reports that Japan was buying cotton on a somewhat bigger scale, but they uncovered few other symptoms of a definite buying impulse arising out of the rearmament programs.

Chances of price control devices being revitalized also helped to reverse the speculative attitude toward commodities. Domestically, cotton's demoralization has brought to a head the question of what is to be done to it. Although the interests concerned with the problem are widely at variance upon programs, the staple and the industry that depends on it are in line for comprehensive review with a revision of governmental policy in prospect.

Likewise, rubber's break recalls that the growers' restriction committee reserves the right to cut shipments further at any time and the trade here is considering the possibility that the liberal 75% quotas continued for the next quarter may be revised if the market does not right itself.

### Copper Agreement Reached

World copper producers reached an agreement in principle on international control plans for their commodity this week. Arrangements are based upon production restrictions. The initial program of definite price-fixing was abandoned, although general agreement will look toward higher quotations. Quota allotments will be accepted by Chilean and African mines. By-product producers, Canadian, will curtail as far as possible, hold back surpluses to protect the world price structure.

Food prices have eased off, in part seasonally, after attaining new highs at the first of the month. Meats, which led the rise, are off slightly from top figures, livestock prices have receded correspondingly, and dairy products are lower on the increased production that open weather brings.



## Editorially Speaking—

FRANCIS BIDDLE, chairman of the National Labor Relations Board, arguing that reform must come before recovery and that a redistribution of wealth through payrolls must be undertaken immediately, predicated his principal argument on the fact that in 1849 the wage earner's share of each dollar created by manufacture was 51% as compared to 36% in 1933.

Mr. Biddle neglected to say that in 1849 wage earners received 51% of \$464 millions while in 1933 they received 36% of \$14,610,000,000. To this he will reply, of course, that there are a lot more workers to divide the increment of manufacture than there were 85 years ago. Of course that is true. Nevertheless, in 1849 the average wage per worker in manufacture was \$247 per year and in 1933 it was \$869.

The point Mr. Biddle overlooked is that in 1849 there was very little investment in plant and machinery. All the shoemaker needed was a stool, a bench, a sharp knife, a hammer and a roof over his head. If we undertook to go back suddenly to the 51% relationship, he might still have his tools, but he wouldn't have any customers—or roof.

ORGANIZED farmers are doing a better job in business than they are in politics. Several cooperative groups are "big business" in the fullest sense of the term. The Farmers National Grain Dealers Association represents the operators of 4,000 grain elevators in the Middle West valued at \$100 millions. These associated farmers now propose to do something about grain besides handle it. They have organized a national research bureau to develop new uses and markets for grain.

Livestock producers, fruit marketers, and other organized farm groups are doing much the same things for their particular products. This is the way of big business and it will probably succeed, although one wonders what we are going to stop eating to find room for the additional beef, biscuits, and grapefruit we are expected to consume.

THERE is something new under the sun. The University of Chicago each year awards the Rosenberger medal under the broadest mandate from the donor "for anything deemed of great benefit to humanity." The medal was awarded in 1924 to Dr. Banting for discovery of insulin, in 1929 to Dr. Breasted for his archaeological discoveries, and in 1931 to S. O. Levinson for his work in promoting international peace. This year the medal goes to Edward L. Ryerson, Jr., of Chicago, "for his courageous leadership and unselfish public service in the organization and administration

of the agencies engaged in unemployment relief in the State of Illinois." No doubt there are others entitled to recognition for fidelity and efficiency in public service, but those qualities are still rare enough to attract special attention.

A FRIEND associated with the Austin Co. writes a note about various things and closes by saying, "It seems almost like old times to be working on a job having some 200-ton cranes in it." The job is the erection of the new General Motors diesel plant near Chicago. It's been a long time since we walked by what used to be a vacant lot and discovered a 200-ton crane tossing things around on it. Perhaps what we need is more cranes. A crane a day keeps the government away.

WE always get a little dizzy trying to differentiate between what the Administration is doing and what it is thinking. Secretary Wallace is more helpful than the rest, and every little while he succeeds in clarifying our thinking a little by adding materially to the confusion of that of the Administration as a whole.

Two such contributions are to be found in the unprinted portions of his testimony before the House Appropriations Committee. In one place he said: "We have reached the conclusion that further action along the line of reducing production will not greatly increase the farmer's share of the national income." A little later he said: "It is exceedingly important from the standpoint of giving greater income to agriculture that there should be definitely an increased production by industry." That helps us to understand Washington even if it doesn't reconcile AAA and NRA.

ONE note to the Editor says:

"To have a program, without being aware of its limitations, seems to be all that is necessary to make its advocate a national figure to be revered. Witness, Dr. Townsend. The latest example is Governor Eccles of the Federal Reserve Board, who did such a good job of selling that even the Republican members of the House Banking and Currency Committee took little advantage of the opportunity to heckle him regarding his banking bill. There was no intimation in his testimony that the Federal Reserve System has been functioning actively for 20 years. The only questions he failed to answer pertained to the history of the system and its practices."

Don't be so hasty, dear reader. Mr. Eccles has been pretty busy figuring out what the Federal Reserve System ought to be. Maybe when things quiet down a little he will get around to finding out about those other matters.

# FLAWLESS



# FINISH

## IS OBTAINED WITH ACME SUPERSTRIP

● Is finish an important factor in your product? If so, Acme Superstrip is your strip steel.

To manufacturers of articles requiring particularly fine finish—plain or special—Acme Superstrip can meet those requirements.

Upon the rolls depends the finish. And here is where Acme Superstrip steps out from the crowd. There is no trick to it—simply unsurpassed skill in operating the rolls, and the finish of the rolls themselves.

From the original planning, to the method of packing for shipment, the Acme Superstrip you buy is your strip steel.

The best proof of this unmatched quality is the list of nationally known products made from Acme Superstrip.

● Cigarette case manufactured from Acme Superstrip. Let us show you how this metal with flawless finish can give your products greater beauty.



Send for the new booklet "Batting 'Em Out," telling about better products with Acme Superstrip. No obligation. ACME STEEL COMPANY, General Offices: Chicago. Branches and Sales Offices in Principal Cities.

# Acme Superstrip

HOT ROLLED • COLD ROLLED GALVANIZED • STAINLESS

ACME STEEL COMPANY  
2828 Archer Avenue, Chicago  
Send your new booklet, "Batting 'Em Out."

Name \_\_\_\_\_  
Firm \_\_\_\_\_  
Street \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_



# BUSINESS WEEK

The Journal of Business News and Interpretation

MARCH 23, 1935

## The American Utility Soviet

The intention of the Administration to socialize the electric light and power industry has been obvious from the beginning. A new development of policy goes a bit further. Forthright and official steps are now being taken to sovietize that industry.

Some time ago President Roosevelt notified the governors of the states that he would send them suggested drafts of model bills, by the passage of which state legislatures might cooperate with the New Deal. Among 11 such bills Secretary Harold L. Ickes has included 3 intended to legalize the taking over of electric utilities by the people and providing corporate organizations and funds for the job. One which is typical of the 3 is P.W. 28658, the so-called "Electric Membership Corporation Act." Under its terms any 3 citizens, perhaps the butcher, the baker, and the candlestick maker, can organize a non-profit mutual corporation and go into the electric light and power business.

They are given the privilege, having legally incorporated, to condemn under the right of eminent domain any electric utility property or any part of it which suits their fancy by appearing in a state court and "the court in which such proceedings are filed shall, upon application by the corporation and upon the posting of a bond with the clerk of the court in such amount as the court may deem commensurate with the value of the property, order that the right of possession shall issue immediately or as soon and upon such terms as the court, in its discretion, may deem proper and just."

Of course, the law provides that such a corporation can sell bonds and raise money as suits its fancy but the assumption is clear that such projects are to be financed by the government. There is also the intimation that those states which pass these ready-made laws stand a fair chance of a liberal slice out of the PWA allotment of the \$4.8-billion work relief.

This model law provides that such a corporation cannot serve more than 50% of non-members among its customers, but it can by its own by-laws regulate the requirements of membership and admit members upon payment of a fee of 1¢ or more. It is even possible that they might declare by manifesto that 1¢ out of the

amount each customer paid on his electric light bill next month would be considered membership dues in the new corporation. In any event, in times like these it should not take an aggressive group of hell-raisers long to get 50% of the utility companies' customers to join a new non-profit mutual association for payment of a cent or two.

Another model bill, P.W. 29014, provides for the creation along similar lines of rural electrification authorities, while P.W. 29015 provides for creating power districts. In each case, confiscation is made simple and more direct than ever before under the law of the land, and the local soviet is given power and perquisites undreamed of before in this country.

### Truthless Statistics Dishonestly Interpreted

Washington is overrun with economists, statisticians, analysts, and research men on government payrolls. Millions of the taxpayers' money are being spent both to direct and anesthetize public opinion bearing on Administrative efforts to manage American life in its minutest detail.

Naturally, such an effort is political and it might properly be so, for every act of government is essentially political. It is to be expected that facts will be tortured and conclusions distorted somewhat. Special pleading recognizes it and precedent condones it, but there is no excuse for the pomposity of a governmental body, acting on the most vital affairs of the people and directly affecting the welfare of the whole people, being based on such shallow and silly conclusions as those of an intelligent high school boy who has never been out of his own neighborhood.

Such reports have been false and misleading to the point of scandalous. The latest is that of the National Planning Board on the "Public Debt." In this

report it is said unequivocally that in December, 1934, payrolls amounted to but 60% of the 1926 level, while dividend and interest payments for the same month were 150% of the 1926 level.

Such a statement is indefensible in that it is based on a gross and easily detectable misstatement of fact. It is outrageous in that, even if the facts had been accurate, they were deliberately misinterpreted.

The fact seems to be that the board accepted as a basis for these figures a report of the Standard Statistics Co., which frankly stated that its figures came from the New York Journal of Commerce. The New York Journal of Commerce in every report it ever printed on the subject made it perfectly clear that the two periods were not comparable. It was equally clear that many more corporations were included in the compilation for December, 1934, than for December, 1926.

By misusing Journal of Commerce figures in the same fashion it would be found that cash dividends in 1932 were 142% of the 1926 totals while comprehensive figures from the Treasury Department, which must have been in the files of the Planning Board, showed that cash dividend payments of 1932 were but 65% of the 1926 totals. Business Week's estimate of 1934 dividends is about 60% of the 1926 volume, virtually the same percentage shown by factory payrolls.

The seemingly deliberate misinterpretation of the figures the Planning Board chose to use lies in the fact that it was well known that the threat of a tax on corporate surpluses caused many special dividend distributions in the late months of 1934 which had little relationship to the current earning power of the corporations paying those dividends and afforded no honest basis on which to appraise an economic or social trend. Furthermore, combining interest and dividends in such an argument is at least a devious practice, since interest payments bear little relationship to, and certainly are no measure of, corporate profits. Also the bulk of interest payments included in this figure juggling was interest on Public Debt!

The nationwide dissemination of such a report becomes something more than a question of politics and economy. It raises a grave moral question.

Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd St., New York. Tel. MUdallion 3-0700. Price 20¢. Subscription: \$5.00 a year, \$10 for three years, U. S. A. and possessions. Foreign 30 shillings. Cable code, McGrawhill

G'onn Griswold, Vice-President

Marc A. Rose, Editor

Managing Editor, Ralph B. Smith    News Editor, Louis H. Engel    Economist, David Dillman  
Marketing, O. Fred. Rost    Transportation, Irvin Foos    Industry, Wallace Thompson  
Foreign, J. F. Chapman    Typography, F. A. Huxley    Statistics, R. I. ...  
Washington, Paul Wooton, Carter Field

lly that  
unted to  
ile divi-  
for the  
he 1926

asible in  
d easily  
t. It is  
he facts  
deliber-

he board  
figures a  
ics Co.,  
figures  
urnal of  
Journal  
it ever  
it per-  
ds were  
lly clear  
were in-  
Decem-  
1926.  
mmerce  
t would  
ends in  
6 totals  
from the  
h must  
Planning  
end pay-  
of the  
e's esti-  
out 60%  
he same  
payrolls.  
misinter-  
Planning  
the fact  
e threat  
s caused  
utions in  
ich had  
nt earn-  
paying  
no hon-  
an eco-  
ermore,  
ends in  
devious  
nts bear  
inly are  
s. Also  
included  
erest on

tion of  
ng more  
ics and  
e moral

ew York.  
ree years.  
icgrawhill

se, Editor

l Dillman  
Thompson  
I. C. G.

S WEEK

AD  
MAR

19



BUSIN  
INDICA

75-

70-

65-

60-

55-

50-

DUSTY  
motori  
n the